

THE MAGAZINE OF WALL STREET

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APRIL 16, 1932

APRIL 15 1932

What's Ahead for the Market?

By A. T. MILLER

•
International Debts Must
Not Be Cancelled, Says
Bernard M. Baruch

•
What Prohibition Means to
Business

Both Sides of the Question

By C. T. REVERE and DEETS PICKETT

VOL. 49 - No. 13

G. Wyckoff
PUBLISHER

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Condensed Statement, March 28, 1932

RESOURCES

Cash on Hand, in Federal Reserve Bank, and due from Banks and Bankers	\$ 171,738,703.71
U. S. Government Bonds and Certificates	285,767,078.71
Public Securities	38,142,829.36
Stock of the Federal Reserve Bank	7,800,000.00
Other Securities	21,572,323.17
Loans and Bills Purchased	641,634,027.98
Real Estate Bonds and Mortgages	2,029,648.98
Items in Transit with Foreign Branches	3,301,059.81
Credits Granted on Acceptances	81,672,151.37
Bank Buildings	14,497,506.29
Accrued Interest and Accounts Receivable	9,245,345.36
	<hr/>
	\$ 1,277,400,674.74

LIABILITIES

Capital	\$ 90,000,000.00
Surplus Fund	170,000,000.00
Undivided Profits	24,963,384.21
	<hr/>
Accrued Dividend	\$ 284,963,384.21
Accrued Interest, Miscellaneous Accounts Payable, Reserve for Taxes, etc.	4,350,000.00
Acceptances	8,585,075.43
Liability as Endorser on Acceptances and Foreign Bills	81,672,151.37
Deposits	4,898,415.92
Outstanding Checks	892,931,647.81
	<hr/>
	\$ 1,277,400,674.74

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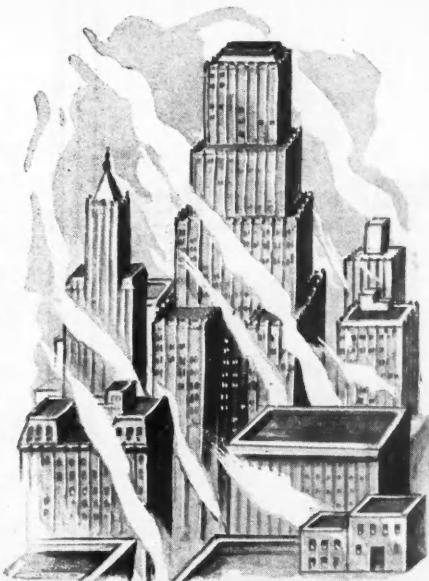
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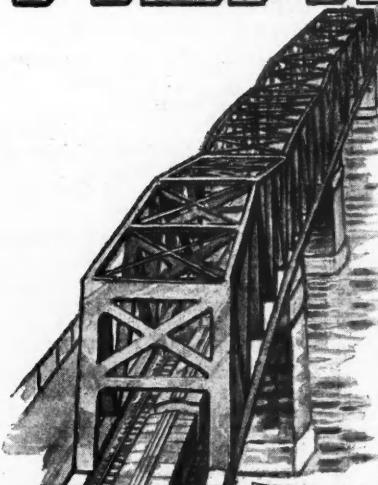
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April 16, 1932

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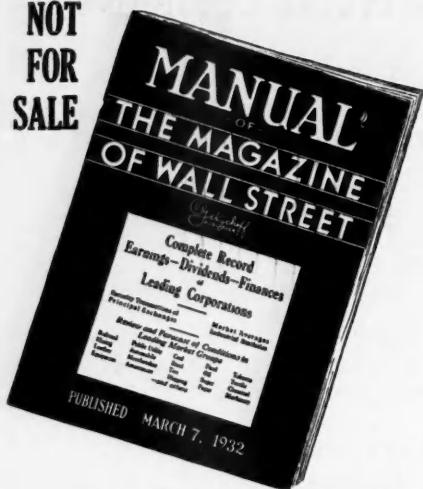
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WITH THE EDITORS



Buy Only A Close Claim On Earning Power

IN their appraisal of the immediate outlook the American public often yields readily to the blackest pessimism, as was the case last autumn when banks were failing by the scores and the hoarding hysteria threatened to get out of hand. Even when despair is deepest, however, that same public retains in its heart an unshakeable confidence in the future of the country and of eventual better times to come.

Definite proof of this is to be had in the fact that millions of Americans are still buying stocks. Apparently a very large group of people continue to regard depression not as a disaster but as an opportunity. Among virtually all corporations every quarterly report shows a large increase in the number of shareholders.

Although this trend is reassuring in its longer implications, it is obvious that much such buying has been distressingly premature. Unfortunately, much of it also seems to be dictated less by sound investment reasoning than by a general desire of investors to recoup losses. A surprising number of persons are unable to change the invest-

ment technique which heretofore has resulted only in losses. The average buyer is still partial to the "blue chip" class of stocks which led the last bull market. Consciously or not, he arrives at the conclusion that these stocks are cheap because they have come down so far from 1929 prices. Actually, various of these former "blue chips" still command a "popularity premium" not justified either by current or prospective profits.

The most vital factor in any security is the earning power back of it. The culmination of this depression will present the opportunity of a lifetime to buy earning power at bargain prices, but the investor should know what he is doing and should not confuse himself with names or words. Whether the security purchased be a bond, a preferred stock or a common stock is not important. A given common stock may be far sounder than a given bond. A simple rule for the intelligent investor is to ask himself two questions: "What is the current and prospective earning power of this company? How close to that earning power is the

security I am now considering buying?"

The common stocks of holding companies are the farthest away from earning power. First mortgage bonds on operating properties are the nearest. Between these two extremes is a wide investment choice. A common stock which has no bonds or preferred stocks ahead of it, or is preceded by only a modest proportion of such prior securities, is in an inherently favored position.

Under present conditions, however, tested and assured earning power is more likely to be found in preferred stocks and in first mortgage bonds than in common stocks and this means of recouping losses should not be ignored. In addition to high income, wide appreciation probabilities are present, for example, in various first mortgage railroad bonds which have been swept down by hysteria to 50 or 60 cents on the dollar. Most such bonds would not be disturbed even by receivership. Their recovery even in a mild business revival may easily amount to a percentage that would be difficult for common stocks to match.

In The
Next
Issue

1. Is This Something New in Depressions?

We are experiencing only a severe cyclical dip, says one school of economists. Another group sees significant indications of fundamental difference between this and any other period of adversity. Who is right? Are we passing the trough and facing a return to former prosperity or must we meet basic social and economic changes?

2. What Are the French Objectives?

Her gold hoarding, foreign debt policy, colonization and trade aspirations have a very real meaning to this country—to American business and investors. Do not miss this revealing story.

Other features of interest and practical value.

THE PENNSYLVANIA RAILROAD

SUMMARY OF ANNUAL REPORT FOR 1931

THE 85TH ANNUAL REPORT of the Pennsylvania Railroad Company, covering operations for the year 1931, will be formally presented to the stockholders at the annual meeting on April 12th, 1932. The report shows that although total operating revenues in 1931 declined over \$122,000,000, or 21.5%, the Company earned a net income of \$19,545,194. This was equivalent to 2.97% upon the outstanding capital stock at the close of the year as compared with 10.55% upon the amount outstanding at the close of 1930. Net income per share (par \$50) was \$1.49 compared with \$5.28 in 1930.

OPERATING RESULTS

	1931	Comparison with 1930 Increase or Decrease
TOTAL OPERATING REVENUES were.....	\$448,090,279	D \$122,375,081
TOTAL OPERATING EXPENSES were.....	352,865,931	D 74,317,250
LEAVING NET REVENUE of.....	95,224,348	D \$ 48,057,831
TAXES amounted to.....	29,969,737	D 5,692,019
EQUIPMENT, JOINT FACILITY RENTS, etc., amounted to..	14,198,805	D 1,240,061
LEAVING NET RAILWAY OPERATING INCOME of.....	\$ 51,055,806	D 41,125,751
INCOME FROM INVESTMENTS AND OTHER SOURCES amounted to	48,036,336	D 7,230,341
MAKING GROSS INCOME of.....	\$ 99,092,142	D\$ 48,356,092
RENTAL PAID LEASED LINES, INTEREST ON FUNDED DEBT AND OTHER CHARGES amounted to.....	79,546,948	I 908,532
LEAVING NET INCOME (Equal to 2.97% of Capital Stock)	\$ 19,545,194	D\$ 49,264,624

Dividends of 6½% were paid to the stockholders, part of which was charged to Profit and Loss Account.

* * *

Notwithstanding extremely adverse business conditions prevailing during the year 1931, the results accomplished by the Pennsylvania Railroad, while not satisfactory, were better than those attained by railroads generally and reflect credit upon the loyalty and fortitude of the officers and the employes.

Continued co-operation of stockholders, bondholders and employes is again solicited in securing additional passenger and freight traffic for the Pennsylvania Railroad.

W. W. ATTERBURY,
President

Philadelphia, Pa., April 4th, 1932

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Investment and Business Trend

The Fate of Europe Again—Stock Taxes—Railroad Salvation—Wheat on New Terms—Motor Sweepstakes of '32—The Market Prospect

THE FATE OF EUROPE AGAIN **T**HE fate of Europe" is always reported "in the balance." It would be news to hear that it was out of the balance. This time the fateful balance is at Lausanne and the month of destiny is June. A skeptical world expects no more of this weighing operation than came from its many predecessors. But the unexpected does happen and the incredible occur. Napoleon knew it and Wall Street has learned it. And the breaks do sometimes fall on the right side.

If it were only the past that were to be liquidated at the Lausanne reparations conference we might be more hopeful. The future is in the same melting pot. The unscheduled but looming issue is whether France is to be permitted to consolidate her present position as the dominant state of Europe. Reparations can be adjusted if the overlordship of France is acknowledged. It is not alone military security that obsesses France; she now demands security of her supremacy. Europe may have civil ease and economic stability if she will let France lead the procession.

Let Germany recognize the Treaty of Versailles as the book of destiny and, short of cancellation of reparations, she may have the utmost economic opportunity

embellished with the gold of France. But Germany has no more liking for French plans for the future than for French administration of the past. She threatens to come definitely to Lausanne without a cent allocated in her budget for reparations. She is magnificent but foolish. France seems inexorable in her affluence. Yet she must face higher taxes, a budget deficit and possibly a loss of some of her gold. She is amazing but also foolish.

Yet the scenes may be shifting. English prestige is gaining while the recent defeat of Hitler confirms the waning of his power in Germany. The Bruening who banned reparations when Hitler terrified, may yet admit them as the false alarm passes. The French elections may give more power in France to the left parties and Tardieu is reported to have become remarkably tolerant about reparations. American opinion is now hardened to the view that both the Allies' debts and reparations must be paid, as Bernard M. Baruch so convincingly argues elsewhere in this issue. With no prospect of passing the liquidation of the international debts to the American taxpayer, both French and Germans may get down to the realities of compromise. Sweet reason and friendly co-operation may rule at Lausanne. France may make a grand gesture, encouraged by a renewal

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Four Years of Service"—1932

of the British entente; Germany may cease pouting and procrastinating. We may get a new day with a pen-scratch at Lausanne as suddenly as we got the greatest of wars with the explosion of an obscure assassin's bomb at Sarajevo. But if events run true to their dismal course of these latter years we may be confronted with the last great financial crash of all in Europe.

STOCK TAXES **T**HE stock transfer taxes adopted by the House of Representatives and its inclusion of dividends within the normal income tax brackets are measures subject to valid criticism. Nevertheless, the hysteria of Wall Street's reaction weakens, rather than strengthens, its case. Exaggeration never won an argument. If all the wild statements that have been made be accepted at face value, one could only arrive at the conclusion that most brokers will go out of business and that the New York Stock Exchange will move to Montreal.

The relatively high transfer tax proposed would so severely handicap boardroom and floor traders as to curtail the volume of this type of speculation, which is useful in maintaining active, close and orderly markets. Hence, it would cut into brokerage commissions and react unfavorably upon employment throughout the financial district. Yet such is the effect of every special tax on business, and it is only by a wild stretch of the imagination that a tax of $\frac{1}{4}$ of a point can be pictured as threatening the destruction of organized markets.

Imposition of normal income taxes upon dividends is unsound in principle and destructive in effect because it represents a multiple drain upon the same source of income. Fortunately, these matters are to be thoroughly aired in the Senate's tax hearings. It is to be hoped they will be dealt with more fairly, prudently and judiciously than was the case in the House.

RAILROAD SALVATION **A**T the close of 1931 it was generally thought that moderately higher freight rates, a 10 per cent wage reduction and the financial assistance of the Reconstruction Corporation would be sufficient in combined effect to save railroad credit from the disorganization then threatened. On this hope, railroad bonds experienced a notable rally from the low levels of last December. Unfortunately, they have now sagged again, many dropping to the lowest quotations ever recorded. The performance of the market plainly reflects a renewal of investment fear on rail credit in general.

The remedial program applied to the railroads unquestionably would have been effective if traffic had held up at the volume of last year. Instead, the freight movement has dropped another 20 per cent, resulting in losses larger than can be offset either by the higher rates or the lower wages. A continuation of the present traffic level could only mean some important rail receiverships or the advance of public funds, through the Reconstruction Corporation, in a considerably larger measure than was originally contemplated.

The latter course would add to the burden of fixed charges and carry the threat of putting the Federal Government more and more into the railroad business. A revival of traffic, of course, is the only safe and sound remedy. Without it, some capital losses are going to be taken. The question is whether they will be taken by railroad security owners, as they should be, or shared by the Federal Treasury.

WHEAT ON NEW TERMS

THE Farm Board is offering its wheat in Europe at 20 per cent down and the balance in two years. Better late than never. Many months ago we urged disposal of its wheat on any terms. Earlier still we urged that it be sold to China or given away. Tardily, as ever, some wheat has since been shipped to China and our hungry poor are at last eating some of it free. Storage charges are devouring the value of the remainder. There would be little more loss if it were sunk to the bottom of the ocean. Even if sales in Europe give prices a downward shove it is better to take the gaff now than to continue to live under the menace of the unknown. Nobody will ever know what this attempt of Uncle Sam's to corner the uncornerable has cost the farmers of America. Sold in the free markets of the world it would long ago have been absorbed. It is not only the farmers but the whole nation that has suffered from this folly foretold by all market experience.

MOTOR SWEEPSTAKES OF 1932

THE event that business has been anxiously awaiting—the introduction of the new Ford models—is here, and with it the leading manufacturers of low-priced automobiles have launched the most intensive selling drive ever experienced in the industry. It remains for coming weeks to reveal whether the public's buying appetite can be whipped up to a point which will influence a general stimulation of business. Among the three chief companies in this field the competitive race is based both upon increased car values and lower prices. Price-cutting, indeed, has been carried substantially further than had been expected. It is a race for business that may prove costly to all participants unless a very material expansion in volume is attained. It will necessarily be of some assistance to steel and other basic industries, although here, too, the emphasis on price-cutting will limit profit margins.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 774. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

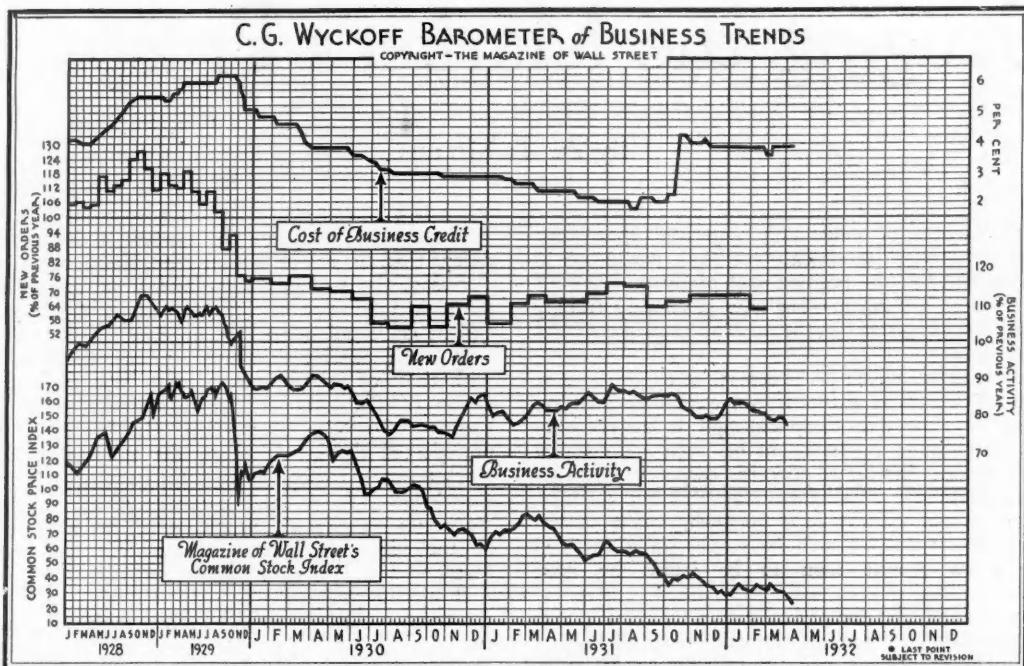
Monday, April 11, 1932.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Four Years of Service"—1932

THE MAGAZINE OF WALL STREET

Taking the Pulse of Business

Banking Situation Shows Improvement
But Signs of Business Gains Are Lacking



EXCEPT for the Cost of Business Credit, which still holds at a reasonably remunerative level, there is nothing as yet in the Barometer to encourage expectations of nearby improvement in production and trade; unless the very extreme to which the pendulum has swung might be of itself a cause for expecting that conditions could scarcely become much worse. The banking situation, with last week's increase of 31 millions in reserve deposits, continues about the brightest spot on the horizon; although the rise of 19 millions in circulation would suggest at least a temporary halt to the return of hoarded money, while commercial loans and deposits still show no tendency to increase.

In view of the persistent contraction in commercial bank credit it is quite to be expected that New Orders, as disclosed by the latest point on our graph, should have registered a rather sharp decrease. Of course a great deal of this unseasonable slackness, which has found reflection also in the Business Activity index, might be attributed in some measure to repeated delays in automobile production schedules; and now that the spring sales campaign has at last been launched it is just possible that the resulting rise in activity may even at this late date spread into other channels of trade.

Ordinarily, however, the volume of motor car production reaches its peak around the middle of May, so that only about six weeks remain before the summer slack season should set in.

That the present year is not likely to prove an exception appears from a report just issued by the Detroit Chamber of Commerce which discloses that employment at that great automotive center was lower around the beginning of the present month than on the first of March. In any event, whatever spurt in Business Activity may take place in the near future through release of a pent up demand for motor cars will come too late to save first quarter reports from making another poor showing: since the physical volume of production and trade during the past three months has been at an average level of about 19 per cent below the corresponding period last year.

It is unfortunate that political conditions should add to the uneasiness at this juncture; since the record low prices reached by stocks, bonds, and commodities last week might have been avoided had it not been for the fear that some of the measures which Congress may adopt to balance the budget will only serve to obstruct further the much needed return flow of idle capital into productive enterprise.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Four Years of Service"—1932

¶ *Lack of Business Progress and Confused Congressional Action Loom Large as Disturbing Factors, but—*

¶ *Can Bottom Be Far Under Present Levels?*

Gauging the Market's Prospects

By A. T. MILLER

THREE months of moderately improved speculative and investment sentiment—founded partly on a strengthened credit position and partly on hopes of a spring business betterment—has now given way frankly to renewed discouragement as the markets enter the second quarter of 1932.

The first quarter, which had been expected to show at least seasonal industrial gains, if not a modest start on basic revival, is more than disappointing. It has not only produced no gains in business, but has seen a deepening of the depression. Insofar as concerns corporate earnings, which constitute the vital factor determining security values, these three months have been the worst of the entire deflation period, as will be emphatically revealed in the interim reports soon to be issued by most companies.

Bearing in mind that the several rallies which the stock market experienced from mid-December on rested upon a technical seasonal base, as well as upon the special motivating factors involved in the Government's program of credit relief, it is not surprising that April finds such gains cancelled. The greatly improved credit position should in the long run contribute substantially to economic revival, but it is not now so contributing in any visible way and, having been prematurely discounted in the usual way by speculators, it is no longer an immediate market influence.

Continued Deflation

It is not the nullification of the preceding rallies, however, that is of significance but the fact that reaction at this writing has expanded definitely and conclusively into an extension of the underlying deflationary movement along the trend which has been all too familiar throughout the past two years. With the fatalistic persistence exhibited throughout the bear movement, the railroad stocks have again led the reaction. As early as mid-January this basic group failed to "confirm" rallying tendencies in the leading industrial issues, a signal of warning cited in this article.

From the low point of January, their previous bear market bottom, the rail stocks, on the average, have now declined approximately another 20 per cent. The present valuation is only 13 per cent of that at the peak of the market in 1929. Never before have rail stocks sold at such figures. At their lowest point in 1897 they were twice as high as at present. Nothing could more strikingly

emphasize the straits of the carriers under present conditions than the recent further reduction in the dividend on Atchison, the strongest large system in the country, and the plain intimation of directors that no further payments will be made unless earnings improve.

It is still possible to compare prices of industrial stocks with those of relatively recent previous years, for duplication of the level of 1921 does not violate accepted theories of cyclical fluctuation. In falling to such unprecedented depths, however, the rail group presents a market puzzle impossible to solve on the basis of present knowledge. It is clearly more than a proportionate result of depression and what its implications are in the way of future changes only the future can reveal.

It is quite probable that the loans advanced by the Reconstruction Corporation, together with co-operation on the part of private bankers, can prevent important rail receiverships for an indefinite period—certainly until after the national election next autumn. It is possible, perhaps probable, that an increase in rail traffic next fall will obviate the necessity of capital readjustments.

Yet it is pertinent to point out, as affecting participating investors, that a vast total of rail securities is even now selling at or near a receivership basis. This may have the effect of softening the ultimate adjustments, since they have been so largely discounted in advance, but as long as the impairment of rail values continues as at present it is difficult to see how general economic revival can originate. The action of rail stocks directly reflects an appalling decline in earnings, which, in turn, very closely reflects decline in traffic. The present traffic level is perhaps the best mirror of business stagnation.

The Utilities

Following closely upon the heels of the rails, the public utility stocks have plunged down to new low levels, with virtual collapse in thin equities of some of the holding companies which were in such high favor during the bull market. Here, too, the problem of capital reorganization will have to be ultimately faced, but the situation of the utilities fundamentally is not comparable with that of the rails. The average operating utility stock is still far above the levels of even six years ago and consuming demand is relatively well sustained.

Behind the decline in the general run of industrial stocks, the chief factor undoubtedly is disappointment in the cur-

rent course of business activity and profits. Despite optimistic utterances in official quarters, it appears plain that thus far the market has tended to lag behind business. The widespread assumption at the close of last year that prices discounted the worst actually proves to have rested upon the hope of definite improvement this spring.

In the absence of that improvement and with the current prospect that the situation probably will be little changed during the second quarter, it is growingly realized that even present low prices have not in all cases brought popular stocks down to a level justified by prospective earnings and dividends.

Fortunately, it appears reasonable to believe that the process of adjusting values to the business realities of 1932 has not much further to go, for the gap is no longer wide, regardless of how poor the first quarter reports may be. It could again be widened, of course, by a further lowering of the business base, but business activity is so low that stagnation and increasing stability appear more likely than additional serious relapse.

At Minimum Level

There is, of course, no absolute limit that can be placed upon business recession, but we know there is a minimum subsistence level and it is difficult, if not impossible, to believe that it can lie much under the present point. Steel operations are at only 22 per cent of capacity, as compared with 29 per cent at the start of February and with 47 per cent in the corresponding week of 1931. The decline in car loadings has widened slightly, March showing a shrinkage of 23½ per cent, as compared with the same month last year. The index of electric power output is at a new low mark for the depression. Commodity prices continue to decline, although on a somewhat less steep slant than in the closing months of last year. The wholesale price index today is fully 10 per cent below the 1913, or pre-war, level and represents a non-profit basis for most raw materials.

The picture given by these indexes is so typical that to cite the current records in other fields would be superfluous. Yet it is precisely under conditions of extreme adversity and of general public pessimism that security prices invariably hit bottom, usually before there is a recognizable change for

for APRIL 16, 1932

the better in the fundamentals. The average price per listed share on the New York Stock Exchange has come down from \$89.13 in 1929 to approximately \$18 at present.

Support for Sound Stocks

Unless by some wild stretch of the imagination we are to assume that all values will be extinguished, it appears reasonable to believe that the current price level offers room for only moderate additional decline. Technical considerations suggest the probable appearance of good support for the average sound industrial stock somewhere between the present level and a level 10 to 12 per cent lower. Within this range promising opportunities for scale-down accumulation of selected issues will be offered. Upon the culmination of such a concentrated period of selling as we are now experiencing, an intermediate rally of substantial proportions can always be expected. Whether this will constitute the final bottom of the bear market is conjectural and will depend both upon the course of business later in the year and the degree of courage and wisdom with which Congress and the Administration meet their obligation to put governmental finances in order.

While the shrinkage of business activity and of corporate profits constitute the fundamental trouble of the market, it can not be too strongly emphasized that political uncertainties are looming larger and larger as a factor of disturbance. It is obvious that some part of the recent decline has been directly due to investment fears provoked by recent developments in Congress, particularly the amazing impetuosity and irresponsibility with which the House of Representatives has written its patch-work tax bill.

Certainly the times insistently demand a scientific tax program. It should be sufficient to meet the cost of government without question, should be fairly spread over a broad base and should not impose punitive or vindictive taxes upon minority classes of business or of individuals, as do the recent House proposals. Suggested taxes on stock transfers and on dividends are a direct burden upon the security markets. It is possible that these will be modified by the Senate, although the composition of that body is even more radical than that of the House.

It is not so much specific taxes, however, which has alarmed financial sentiment. Looming far above this is the con-

(Please turn to
page 822)



Anton Schutz Etching

The New York Stock Exchange

International Political Debts Must Not Be Cancelled, Says Bernard M. Baruch

¶ Both Political and Private Debts are Vast Assets to America—They May Be Paid Partly In Kind—Commodities Thus Acquired, If Withheld From Market, Might Start Rise of Prices.

¶ Ultimate Recovery of Business Seen Regardless of Present Outlook But Budget Must Be Honestly Balanced and Kept Balanced.

(The following sketch of Mr. Baruch's views, written by the Associate Editor, are approved by him as an authorized interpretation for THE MAGAZINE OF WALL STREET.—Editor's Note.)

BERNARD M. BARUCH sees in a balanced Federal budget the most important step in the direction of business recovery; and in our foreign credits, assets that will be powerful contributors to American prosperity when the world has passed through the present period of readjustment. Far from agreeing with the incessant contention that reparations and the Allies' political debts to the United States are insuperable obstacles to business betterment, Mr. Baruch says that, stripped of propaganda, they are comparatively minor factors. He even sees a strong possibility of making them active elements in general business improvement throughout the world, through their part payment in goods, services and even, to some extent, in the currencies of the debtor nations.

THE MAGAZINE OF WALL STREET is permitted to give a sketch of Mr. Baruch's ideas on these subjects as developed in informal conversations.

A Balanced Budget—and Honest

First of all he is insistent on the immediate balancing of the Federal government budget. Then, with governmental expenditures less than receipts, the United States will be a country to which capital will flow from abroad, and its productive and distributive activity will increase. Complete foreign and domestic confidence in the solvency of the Government is indispensable. It is particularly important, Mr. Baruch iterates and reiterates, that the balancing of the budget be accomplished in large part through the reduction of its expenditures. It will have a disquieting

effect to effect a balance only through heavy taxation. People will cheerfully bear burdensome taxes to enable the Government to put its house in order when they are assured that they are not being poured into a bottomless pit. Outgo must be reduced if intake is increased. We are spending too much on government. The nation cannot prosper when about one dollar in every four goes to governmental expenses of one kind and another—national, state and local. The budget must be balanced—but it must be a balance of saving as well as paying—an honest balance.

When we are engaged in the difficult task of balancing our national budget we should, like any prudent business man, look sharply after our collections.

No More Moratorium—Payment Salutary

There should be no further moratoria on the Allies' debts. After the present year of grace expires on July 1, interest payments on those debts must be resumed. If the present world-wide business depression makes the problem of transfer of payments in gold difficult they could be managed in part through payments in kind and even in foreign exchange. The steady flow of this loaned money back to the United States Government will appreciably reduce our public costs, and react favorably on our business activity; provided, always, that the budget is truly balanced.

Besides the Allies' debts to the United States Government we have another great asset in the returns that must also come in the end from the 20 billion dollars of private loans and investments abroad. When the world recovers, a vast amount of substantial wealth—things we need and money—will flow annually into the United States. Even under the present reduced payments of interest the wealth that flows from them to the United States is huge.

As our government balances its budget and becomes again a tower of solvency among the nations, the United States, with its inflow of wealth from the foreign obliga-

tions due to the Government and to its citizens, with its own vast manufacturing capacity and its untouched natural resources, will become the strongest and most prosperous economic entity in the world.

While Mr. Baruch would not be considered bullish as regards the nearby outlook for business, it is evident that he has none of the pessimistic misgivings regarding that new era of permanent depression which obsesses some economists as much as that other new era of unbroken and ever-expanding prosperity obsessed them three years ago.

Allies' Debts and Reparations To Be Paid

Speaking more particularly of the proper attitude of the Government toward the political debts (which needs to be firmly defined in view of the approaching conference at Lausanne between Germany and her creditors) Mr. Baruch expressed unqualified opposition to any cancellation by the United States. Our Government could only cancel the debts on their asset side. It might forego collection from the Allies but it would have to pay the Liberty bondholders whose money it was that the Government lent to the Allies. The American taxpayers must reimburse the bondholders if the Allies do not. When these loans were made the taxpayers were solemnly assured that their increased taxes would come back to them through lessened governmental expenditures as repayments were made.

To cancel as a means of assisting Germany, on condition that the cancelled amounts were applied to the reduction of reparations, would be only to relieve Germany of a tax burden of something over \$300,000,000 a year and load our own people up with about as much. Between our loss and Germany's gain by such a transaction our industries would have to carry a handicap of \$600,000,000 a year in the international struggle with that country for trade.

As to the possibility of default by our debtor nations, Mr. Baruch is not so concerned. Some of the debtor nations will unquestionably meet their obligations unhesitatingly. If some should elect to default or repudiate their credit will be clouded, their prestige will diminish, and they will suffer in their foreign trade relations. Should they seek foreign credits at any time they will be in somewhat the position of the Soviet government of Russia which is compelled to pay high prices and exorbitant rates of interest because it repudiated the international debts of the former government. On the other hand, their reputation as defaulters will not help them with potential borrowers, and they will lose both trade and the profits of financing it to the United States.

In the application of the idea of payment in kind to international debt settlements, when the problem of gold transfer is a real difficulty, regardless of the internal capacity to pay, Mr. Baruch sees an interesting possibility of converting the political debts into valuable assets and active forces for the revival of prosperity.

To meet the contention of some nations that the debts ought to be or can only be paid in goods and services, for

lack of gold or exchange facilities, Mr. Baruch makes the suggestion that our Government might take them up temporarily on their own proposition. He thinks it might actually be feasible for the United States Government, if it were so inclined, to take payment in certain commodities and some foreign currency. By way of illustration, he pointed out that commodities are now at unprecedentedly low levels and that it is probable that they will bring higher prices when the world gets back into its business stride. There are some necessary commodities which the United States does not produce and which it might need acutely in an emergency. It would be the part of wisdom to have a reserve of them, a fact which Mr. Baruch well appreciates because of his experience during the World War as chairman of the War Industries Board. Such of these commodities as are non-perishable as well as non-competitive—jute, tin, chrome, manganese, rubber, possibly silver—might well be accepted in part payment. Possibly the Government might undertake to keep such stores off the market for a long period, say five years—part of them indefinitely. The Government would have real wealth, enhancing in value, which it could dispose of as advisable at some later and more propitious time. National defense and industrial need would be served.

The withdrawal of substantial amounts of these goods from the market might be of no little help in giving commodity prices the sorely needed upward turn, and thereby stimulate trade, both domestic and international by freeing the market from depressing surpluses.

Further to make up for the difficulty the debtor may have in converting funds into dollars, Mr. Baruch is much impressed with a suggestion made to him that the United States might well consider accepting a portion of the payments in pounds, marks, francs and other currencies. The Government could dispose of them through established channels to American tourists, to persons sending remittances to friends or relatives in

the debtor countries, and to importers needing foreign exchange. This would offset much of the foreign demand for gold dollars and would be a defense against efforts to drive us off the gold standard. It would prevent a recurrence of the ridiculous position we were in last year of granting a moratorium on \$250,000,000 of gold funds due us from foreign governments and at the same time honoring drafts on our gold from the same countries that we were relieving at no little cost to ourselves.

The Essential of Recovery

Thus, the bothersome debts appear in the light of valuable assets. But in any event they are a small item in the grand total of international payments, and obstacles in the way of their liquidation have been grossly exaggerated by propaganda.

But whatever is done about these novel suggestions or about the international debts in any other way, Mr. Baruch insists that the first essential of recovery and of insurance against the extremes of depression in the future is to balance the budget, and keep it balanced.

Will Business Recovery Follow Banking Improvement?

Trade and Industry Appear Reluctant to Step Forward, Despite Drop in Bank Suspensions, Check to Hoarding, Lower Money Rates and General All-round Betterment of Financial Situation—What Further Stimulus Does Business Need?

By JOHN D. C. WELDON

THROUGHOUT 1931 depression cut a double path of havoc in business and finance. Thus far in 1932 there is no significant improvement in business activity, but in the broad field of banking and credit tremendous gains have been scored. This advance unquestionably constitutes a major victory in the bitter struggle toward recovery and at the present time offers the chief basis for hope that we are nearing a turn which will see a general economic revival under way before the year is out.

For the first time in months it is possible to feel confidently that the banking and credit crisis is over and that, even if this result is not sufficient in itself for an immediate stimulation of business, at least the most acutely serious obstacle to revival has been removed.

It is difficult, if not impossible, to determine at any given time the precise weight of the various factors causing a universal deflation of values. Credit and banking difficulties plainly are secondary factors, in the sense that it is depression which provokes them. They are result, rather than cause.

The distinction, however, is of little practical value, for at times result becomes of more emphatic importance than more or less vague underlying causes. It was public realization and fear of the financial results of deflation which both produced and intensified the crisis during the closing months of last year. It was psychological panic—the dread of utter disaster and collapse—that expressed itself in the most aggravated currency hoarding this country has ever known and in an appalling total of bank failures.

Depth of Depression Appears Passed

Regardless of its basic reality, depression is at least to some extent a state of mind. Usually it is at its depth when human despair is deepest. On this basis it should prove that the worst was met and endured in the final quarter of 1931, for that was the actual period of panic much more truly than was the so-called panic of crashing stocks in 1929. It was a panic not of speculators alone, but of investors and ordinary citizens. We had the spectacle, already absurdly silly in retrospect, of a European run on

the dollar. We had Wall Street itself shaking a gloomy head and talking seriously of suspension of the gold standard. For the first time, investment demand for bonds virtually disappeared, and forced liquidation sent prices even of sound issues crashing to levels suggestive of an imminent and wholesale bankruptcy. Banks closed their doors by the hundreds. Hoarding of currency mounted to a total of probably more than 1 billion dollars. Even sane citizens began reluctantly to wonder if, after all, they hadn't better convert their funds into gold to escape the on-rushing disaster.

Unchecked, such panic inevitably would have produced the collapse it envisaged. Whether that period of hysteria actually deepened the depression as a result of the financial destruction it wrought is debatable. Certainly it put the tightest kind of a check rein upon credit, the lifeblood of business. Regardless of the needs of customers, every bank was forced to concentrate its efforts upon maintaining maximum liquidity.

In recent weeks we have definitely emerged from panic, partly, no doubt, in the natural reversal that follows any extreme of emotion; but, more largely, as the direct result of the series of remedial measures taken under the leadership of the Federal Government. In its entirety, this program represents the supreme human effort ever made to combat depression and deflation.

The Reconstruction Corporation, which will have ultimate resources up to 2 billions of dollars, is now fully operative. Although most of its work is necessarily secret, it is known that it has already advanced large sums to bolster hundreds of weakened banks and that its task of reconstruction is steadily proceeding. It has not only checked failures by preventing actual insolvency, but has strengthened the entire structure of public and banking confidence by its mere availability, for when money can be readily had the average depositor is content to leave it in the bank.

Through the Glass-Steagall Act the Federal Reserve system has been basically altered and made sufficiently elastic to cope with the special problems of depression, especially in extending aid to hard-pressed banks. As with the Reconstruction Corporation, the relief work here is

being carried on by the Reserve largely behind-scenes.

There is abundant evidence, however, on which to judge the effectiveness of the general relief program. Bank failures have come virtually to a halt. Hoarding of currency is definitely on the wane and money is flowing back out of hiding to the banks at an apparently accelerating rate. The best grade bonds retain a partial price recovery. Interest rates have relaxed. Fear of excessive foreign withdrawals of gold has vanished. Confidence in the dollar has been reestablished.

Nor are the beneficial results confined to America. Improvement in credit here has bolstered confidence throughout the world. Moreover, notable progress toward financial rehabilitation by Great Britain has given sentiment another lift and the world has found, with reassuring surprise, that even departure from the gold standard by a leading nation does not mean eternal ruin. Indicative of the present trend of world credit, central bank rates in fifteen countries have been reduced since the middle of February and additional reductions appear likely.

A total of 540 banks failed during the first quarter of this year, with aggregate deposit liabilities of \$237,445,000, while eighty-four banks were reopened. The full significance of banking improvement, however, is not to be found in this total but in the downward trend of insolvencies month by month. There were 372 suspensions in January; 128 in February and only forty in March. During the last week of March there were eight failures and three banks reopened. Banking fatalities for the month were the lowest of the entire depression period.

Insolvencies reached their peak last October, when 522 banks closed, tying up deposits of approximately \$471,000,000. Thus, the deposits involved in all of the failures of the first three months of this year were only half of the total of last October. As this figure implies, failures have tended to be concentrated more and more among the smallest and weakest banks, elimination of which will in the long run improve the banking structure rather than weaken it.

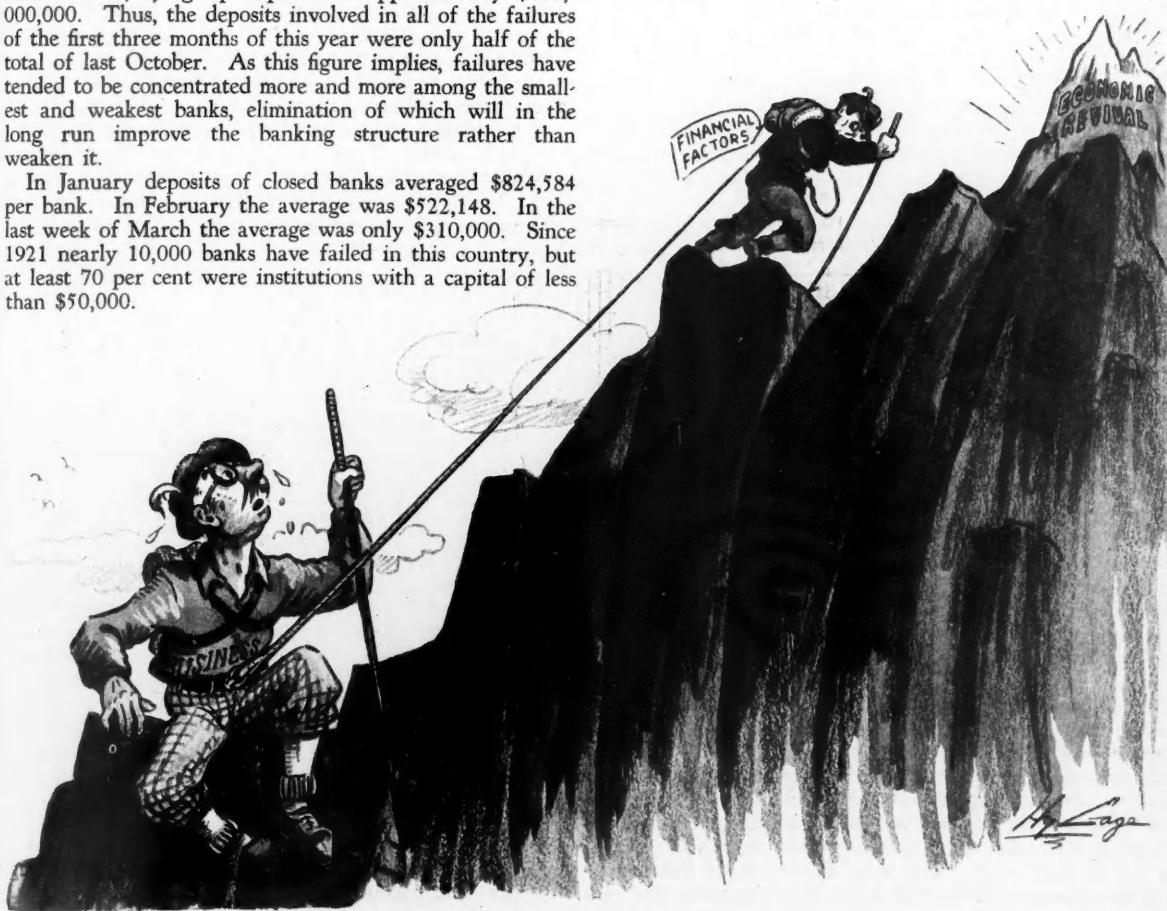
In January deposits of closed banks averaged \$824,584 per bank. In February the average was \$522,148. In the last week of March the average was only \$310,000. Since 1921 nearly 10,000 banks have failed in this country, but at least 70 per cent were institutions with a capital of less than \$50,000.

Given a continuation of the recent strengthened sentiment, it is likely that the next important development will be an acceleration of the trend of re-openings. This movement thus far has rested largely upon independent efforts, but it may be expected that the Reconstruction Finance Corporation ultimately will be able to devote less attention to saving active banks and more to salvaging closed ones. Such a program may be aided also by additional legislation now pending in Congress.

At this writing the correction of hoarding appears to be gaining significant momentum, currency in circulation during the last reported week of March having declined by \$44,000,000. With allowance for seasonal variation, at least \$40,000,000 of this represents a genuine drop in hoarding. In recent weeks the average weekly return flow of currency to the banks has been around \$25,000,000. The excess of money in circulation over the figure of a year ago has now been reduced to \$816,000,000.

That, admittedly, is a large total but the hopeful point is that a continuation of the recent rate of decline would within a few months reduce it to a level at which it would no longer be of practical or psychological importance. The actual extent of hoarding, of course, is subject only to conjecture. The low ebb of business activity would suggest that a larger proportion of the circulation represents hoarding than is indicated by statistical comparison with past years. On the other hand, the wholesale eliminations of banks account for a much greater use of cash in many localities.

In the passing of the most acute phase of our banking difficulties there is abundant cause for satisfaction. Yet it is worth while to point out frankly that Washington



officialdom and the press generally have tended to exaggerate the immediate significance of the banking improvement in relation to business recovery. It may be possible to excuse this policy as having been necessary to check the hysteria of the ignorant, but investors should not permit themselves to be misled by hopeful generalities.

Important and fundamental as it is, the fact is that banking gains to date are essentially negative. Ending failures and checking hoarding may be likened to arresting the course of a disease. The positive processes of convalescence and recovery are something else again.

To be sure, it was essential that a stop be put to the kind of credit disintegration that we experienced in the closing months of last year. It may be that the present improvement represents an underlying base on which business recovery ultimately will be founded. But whether credit of itself can importantly motivate recovery or will merely be an integral part of a revival originating out of more fundamental economic adjustments is open to question.

For some weeks now this factor of financial improvement has been emphasized, yet it has had no apparent effect upon business activity. To the average business man seeking to borrow money a low Federal Reserve discount rate means nothing. He finds credit no easier to obtain, for most banks continue their insistent, cautious search for liquidity.

Many observers freely criticize the banks for an excess of timidity and in many instances criticism no doubt is justified. Yet in the final analysis the banker is responsible for the funds of his depositors and assumes the responsibility for judging credit risks. On the average, the risk in extending credit necessarily becomes larger as corporate and individual earning power diminishes and as all values shrink.

Thus, the complaint of the individual business man that he can not get the credit he thinks he is entitled to is often unfounded. In general, those who enjoy the highest credit standing do not need to borrow or need less credit than usual, because of slack business. Such borrowers are not much concerned with interest rates. They would borrow only if they saw the prospect of employing additional funds profitably in business expansion.

In many cases the most insistent call for credit is nothing more nor less than a call for help. Much credit help is being extended and more will have to be extended. But what is important to keep in mind is that the most that can be expected of credit administration under present conditions is to keep necessary deflation in orderly bounds. It can not undertake safely to launch an artificial expansion from the present economic base. Such an undertaking would be nothing more nor less than tank inflation, postponing the final basic adjustment.

It is possible, of course, that public and political impatience will bring us to inflation. We may have the experiment of inflation based on issuance of fiat money for a 2-billion-dollar soldier bonus. We may have an inflationary effort of the Reserve System to pump a much larger volume of credit into use through aggressive open market operation. But these possibilities are not part of the present credit picture.

That picture, despite the Reconstruction Corporation and the Glass-Steagall Act, is one of continued deflation of banking credit. The only positive change is that the pace of deflation has slackened.

During March the total loans and investments of reporting member banks in leading cities declined by \$249,000,000, notwithstanding large purchases of Government securities on March 15. Despite variations from week to week, the general trend of net demand deposits and net time deposits so far this year has been downward, the reporting banks showing a deposit reduction of \$170,000,000 in the four weeks ended March 23. For the week ended March 30, however, despite a decline of \$43,000,000 in loans, demand deposits increased \$98,000,000 and time deposits \$5,000,000.

In the aggregate, the return flow of currency, disbursements by the Treasury for Government expenditures and Reserve Bank purchases of Government securities have all tended to increase bank deposits, but this influence has been more than counter-balanced to date by the total decline in deposits resulting from the liquidation by member banks of loans and of investments other than Government securities.

It is perhaps significant that any continuation of the deposit gain of the final week of March would quickly produce a balance and turn the tide of banking deflation. The net decline in deposits for that month was slightly less than \$70,000,000. In February it was \$540,000,000 and in January the total was \$550,000,000.

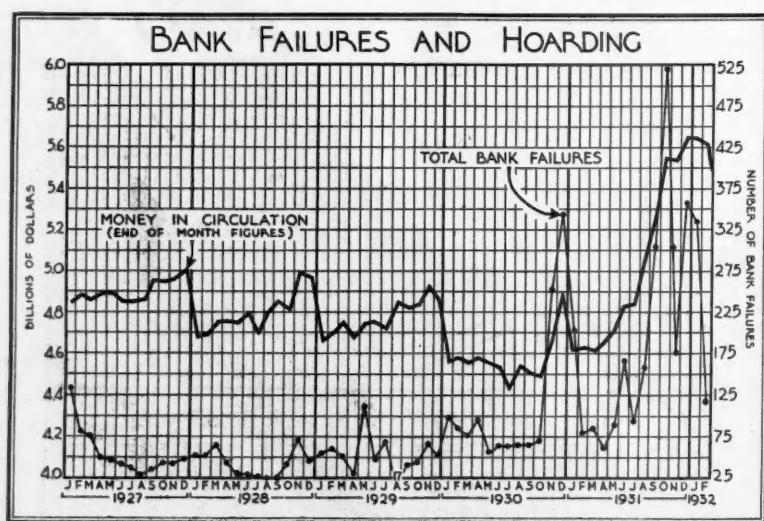
The brightest immediate phase of the credit picture is that borrowings of interior banks from the Reserve are on the downtrend. Because of the withdrawals of currency

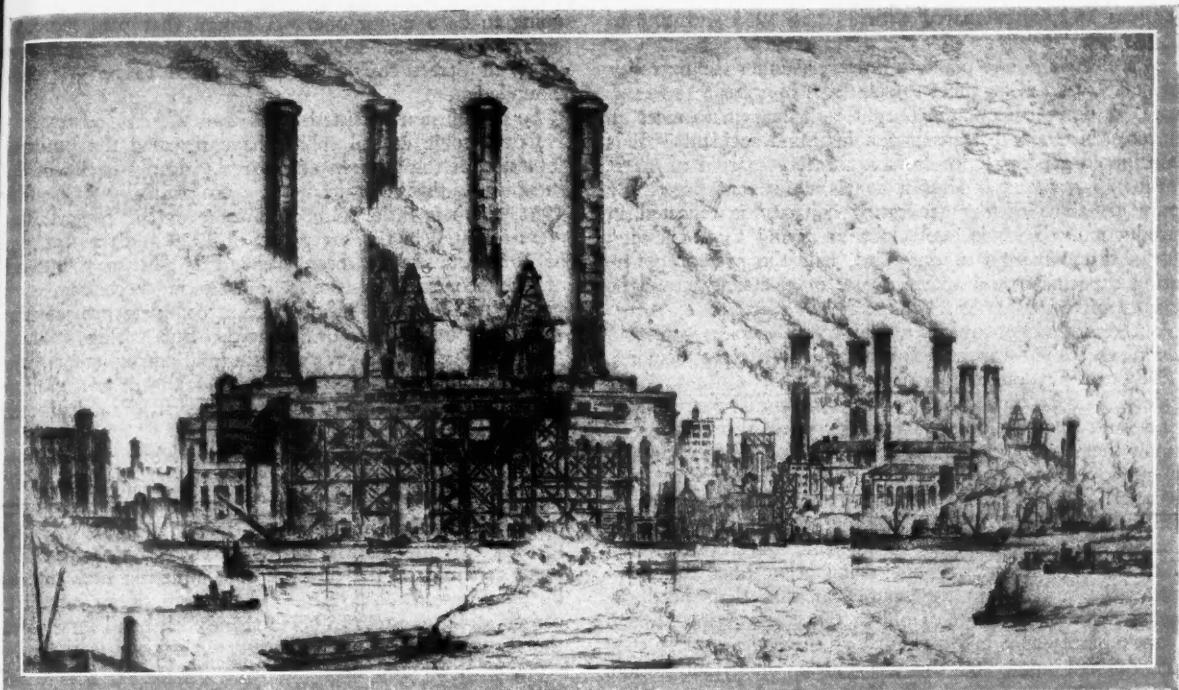
and a persistent flow of deposits to the large New York banks, interior banks were forced to borrow heavily from the Reserve last autumn. Such borrowing continued in the first two months of this year, the total reaching \$800,000,000, or the highest level since 1929.

During March, due partly to the indirect effects of the purchase of Government securities by the Reserve, and

partly to the return flow of hoarded currency, this total was reduced by \$180,000,000.

If the credit improvement thus far effected can be maintained, it will undoubtedly prove of major importance as a force making for business recovery. Although (Please turn to page 824)





Anton Schutz Etching

Are the Utilities Over-Expanded?

Steadily Increasing Demand for Additional Power in Boom Years Leaves Public Utilities with Burdensome Capacity Today—Is the Industry Approaching the Limits of Its Growth?

By THEODORE M. KNAPPEN

THIS is the big question before the electrical utility industry:

In view of the fact that the output of electrical energy in 1931 was $5\frac{1}{2}$ per cent below that of 1929, while capacity was 12 per cent larger, is the industry overextended?

Like industry in general the utilities advanced to the edge of the business precipice of 1929 without the slightest hesitancy. Total construction expenditures in that year were 853 million dollars. In 1930, they were even larger, being 919 million dollars; even the 1931 budget was 702 million dollars; in ten years they had totaled 7,785 million dollars. They are still going on in some measure, mostly as a result of previous momentum.

At the same time the production and sale of power are steadily declining. While 1930 showed but a slight loss in production and sales over 1929—and even a gain in revenue—1931 output, as compared with 1929, fell off 3.8 per cent and sales 1.2. In recent weeks the percentages of annual decline have been considerably larger, as much

as 10 per cent. One large super-utility system reports that its output of power is now 12 per cent less than it was two years ago while its capacity has gained 18 per cent. This is believed to be fairly representative of the industry in general. If that is the case the electric utilities as a whole have an excess capacity at the moment of 30 per cent, assuming that they were not already over-built in 1929 with respect to the then requirements.

It should be noted that capacity in the production of electricity is a variable element. Potential capacity is vastly different from commercial capacity. Broadly speaking industrial electricity can not be stored. It must be produced as used. No large power plant can run at its mechanical capacity for two or three shifts a day, as can be, and sometimes is done, in other industries in times of business activity. Considering that the kilowatt hours ordinarily produced are only about a third of the potential capacity, 1929 was probably pressing the practical capacity of the industry pretty well to the limit of safety. In that year the percentage of production to full time capac-

ity was 36.2, as compared with 33.8 in 1926 and 29.8 in 1931.

An electric power plant is, however, under the necessity of being ready at all times to deliver, if only for a few minutes, its normal maximum output, as a margin to meet an unforeseen demand, transmission loss, and accidents. It is considered good practice to have a safety margin of about 25 to 30 per cent. Thus it comes about that practically only one-third of the generating capacity is reflected in production. That is equivalent to saying that, allowing for a safety margin of one-third, half the present generating capacity would suffice if use of electricity could be evenly spread out over 24 hours a day.

Other industries are not under compulsion to plan and build additional capacity far ahead of current demand. They can put on one or two additional shifts to meet emergencies or they can speed up the normal rate of output—and thereby defer extensions until the demand is upon them. This industry, being its own distributor and a public agency, with responsibilities as well as privileges as such, can not content itself merely with increasing its generating capacity to anticipate the growth of demand but must also plan and build transmission and distribution facilities well ahead. While distribution lines can ordinarily be supplied in the same year that their need develops, the enlargement of old or the construction of new power plants may take as much as three years after they are decided upon and the transmission lines, sub-station, etc., may require from a year to two years.

The Ten Per Cent Habit

During the past decade the growth of demand for electric power and light was at the rate of about 10 per cent per annum compounded. The managers of the industry may well have had doubts as to how long such a rate of growth would keep up. But with no guaranteed prophecy to rely on, they could not conclude in 1929 with consumption larger than ever, and industrial construction proceeding at an unparalleled rate, that power requirements would be about stationary in 1930, recede in 1931 and fall abruptly in 1932. Much less would it have been possible to cease construction and extension in 1928 on the assumption that 1931 would be a year of recession.

When the crash came in 1929 there were two factors that kept construction going full steam ahead, besides the inherent condition which found the industry at full momentum. In the first place there was at first virtually no realization in the business world that the end of a great cycle had come. The prevailing philosophy was that the crisis that developed in the stock markets in October and November, 1929, was a local affection which would be confined to securities and would not be long or serious. Virtually all of the economists and business commentators emphasized that view. Certainly a long-range industry like that of the utilities could not permit its projects to be disturbed by a passing speculative squall in Wall Street.

The other factor was an artificial reinforcement of the first. As a means of isolating the fever in Wall Street, President Hoover eloquently urged business to go ahead as usual or, rather, more energetically than usual. The utilities responded by speeding up work planned for 1930. Premature completion by a few months or even a year of additional power plants was of little importance to an industry which, warned by years of experience, found its greatest virtue in preparedness for the growing volume of business that was always pressing on its heels.

The fact that revenue patronage while declining in its customary rate of growth in 1930 nevertheless increased was a reason for believing that the depression was really

going to be a minor one. A nation that paid more for electric current in 1930 than before the great blow-out in Wall Street could not be supposed to be grievously wounded.

So the illusion persisted.

Could some crystal sphere have revealed the universal infection of the business structure by deadly bacilli of disintegration that was to become so painfully evident in 1931, there is little doubt that some of the projects that were initiated in the latter part of 1929 and the first part of 1930 would have been suspended. When the extent of the economic crisis was understood there was often nothing to do, economically, except complete projects that were well under way or financed. But during 1931 all projects which had not passed the preliminary stage, especially if financing had not been arranged, were either stopped dead or slowed up. Moreover, financing soon became an impossibility.

Incidentally, the paralysis of normal financing came so unexpectedly that the great industry which is best adapted inherently to riding through a business hurricane with little functional injury has been drawn into the whirlpool to some extent. As a rule, the stronger the company the more general was the practice of completing new projects by temporary bank loans. It had more of an appeal to conservative investors to go to them with bond issues after the security was an actual asset. Also it was the more economical method of financing. But when plants and extensions were completed with money borrowed from banks, bond credit had dried up. In some instances receiverships have resulted even though the operating companies are doing a volume of business and recording earnings that would make most enterprises outside of the utility field think that they were enjoying more than normal prosperity.

Virtually all of the apprehension in investment and speculative circles regarding the utilities pivots on this point of suspended issues. "What will the banks do?" is the common question. Probably in most cases nothing they can do, either in justice to the companies or themselves, will be as good as doing nothing—that is continue to hold the sack until the public is again in a creative investment mood.

High Finance Out of Gear

Broadly speaking it is only the holding companies that are thus bogged down in the investment market. This situation has caused some satirical comment as to the usefulness of holding companies. Finance is often their chief function, if they have any, beyond a perfectly defensible exploitation of an amazing industrial expansion for the enrichment of their originators. When financing was easy, the larger operating companies—as adept at the game as their monetary tutors—needed no help. When financing became difficult the operating company could often give its overlord cards and spades and beat it at its own specialty. Indeed, the holding company has sometimes turned out to be a positive nuisance to the operating company as it often imparts its own disfavor to an impregnable auxiliary. Now that the operating companies are encountering the greatest decline in revenue in their history—comparing them for a given week with the corresponding week a year ago—the kindly giants that were to carry them over the raging rivers of finance are often on their backs. On the other hand, holding companies have been life rafts in some instances to local companies caught in the bankers' panic.

Conceding, as we must, that with declining revenues and increased capacity the utilities are about 30 per cent

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overpowered, as a whole, taking 1929 business and production capacity as the norm, there remains the important question of whether the excess will be promptly absorbed when the general business depression is consigned to an unhonored grave along with its many forerunners. This question embraces three others: (1) Is the whole business life of the nation to proceed at a slower tempo than heretofore? (2) Are some regions doomed to actual recession or standstill? (3) However much economic progress in general may be slowed up hereafter, will the business of the utilities be an exception?

Utilities and National Maturity

Probably the consensus of expert opinion is that because the rate of growth of our population is now declining rapidly, industrial expansion must be at a lower rate than in the past. It is true that intensive development may make up for the retardation of extensive growth but that is not probable until after some years of fundamental economic reorganization. We conclude that if the utilities are to grow in the present decade no faster than the general population the 10 per cent addition that formerly sufficed only for a year will do for the whole decade. It will be answered that for a long time they have grown many times as fast as the population. But that, it may be countered, was because they virtually started from scratch thirty years ago and have had to equip an existing population of about a hundred millions, in addition to a stern chase after the increase. However, it is not unreasonable to assume that present outlets will grow at the normal business expansion rate of 4 per cent a year.

Today 70 per cent of the homes of the nation are supplied with electrical connections. The volume of domestic consumption has gained 250 per cent in ten years, while total capacity has increased only 150. A large part of the homes lacking electricity are on farms. Only about 10 per cent of the farms are served but electrification can not come so rapidly as it came in urban communities.

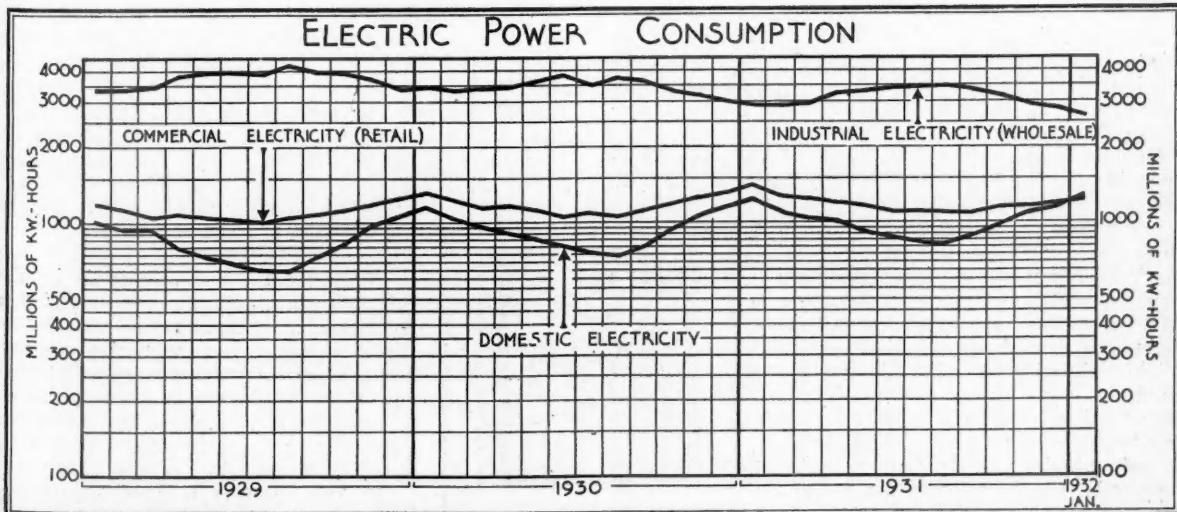
Plainly, hope of big growth in the domestic field lies in intensification of utilization. The hope is that the 85,000,000 people living in electrified homes will bring up their consumption from the present annual average of 580 kilowatt hours a family to at least the average already attained in California, of 1,500 kilowatt hours; 2,000 is the goal. Do that, and bring in practically all the non-using families, and present domestic consumption will

quintuple—to practically 60 billion kilowatt hours. Compare that with a total present sale of 72 billions for all uses. Disregarding present excess of capacity, it would take about seven years of growth, at 10 per cent, compounded, to care for this alluring, if illusory, hypothetical increase. If we assume that home consumption can be forced up to 1,000 kilowatt hours a year a family and five million families added to the 20 million plus already on the rolls, domestic utilization will more than double in ten years. In view of the great room for introduction of the ever increasing variety of electrical appliances it is not impossible that such results will be reached. But impressive as these figures are, the fact remains that to double domestic consumption in ten years is only to add about as much to the grand total of consumption as was added in the single year of 1929.

New Industrial Territory

Let us look now at the prospects for growth in industrial commercial utilization of electric power. It is estimated that the total production of electric current in the United States in 1930 was about 120 billion kilowatt hours. Of this amount 96 billion was supplied by public utility stations. If the utility companies were to supersede all private and municipal plants their output would be increased just 25 per cent. The process of transfer now proceeds very slowly, whether by purchase of municipal and railway plants or substitution of utility for private electrical power. The introduction of Diesel engines may definitely check the latter. Of the 39 million of horsepower used in American factories about half is now furnished by utility stations. Of the other half, about 11 millions is locally generated electric power, leaving only about 12 million of factory horsepower of non-electric character. If the factories were completely electrified and the utility companies had the whole of the business, their factory sales of power would be doubled, those being at present about 42 billion kilowatt hours. That is assuming that factory owned horsepower would represent the same ratio to purchased horsepower that actually exists between purchased horsepower and purchased kilowatt hours. That, for various reasons, would probably be an excessive estimate. But if we suppose that the utilities take over half the individually supplied factory power during the present decade, their sales of current should increase 10 per

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What Prohibition Means to Business

Both Sides of the Question Presented by Prominent Advocates of Repeal and Continuation

Economic Advantages of Repeal

By C. T. REVERE

*Economist, Commodity Expert, Former Editor,
Partner in New York Stock Exchange Firm*

IN most of the twelve years since the Eighteenth Amendment went into effect, the controversy over Prohibition has been confined largely to the moral and social side of the problem, whether Prohibition really could be enforced, and whether the evils of the dry regime were not fully as objectionable as conditions before we attempted the "noble experiment."

The most striking instances of revolt against the Eighteenth Amendment have come from an unexpected quarter, the leaders of education in America. The pioneer in this movement was Dr. Nicholas Murray Butler, president of Columbia University, and in this roll are the presidents of Dartmouth College, Princeton University, and Cornell University. In fact, the analysis of the moral aspects of Prohibition recently set forth by Dr. John Grier Hibben, president of Princeton, is regarded as perhaps the most powerful indictment of this sumptuary measure that has thus far been presented.

Not only is Prohibition under attack by many of the leading independent thinkers of America, but there also is evidence of a decided change in sentiment throughout the country on this question. The record poll of the Literary Digest gives clear proof of the popular *volte face* on this problem. Thus far, the only state that gives indication of remaining in the dry column is Kansas, and that by a very narrow margin.

Only the politician refuses to change. This is a phenomenon which many will find difficult to comprehend. Here we have a clear majority in a nation-wide poll against the Eighteenth Amendment, with important areas overwhelmingly opposed to Prohibition. If our law makers are responsive to the will of the people, why do they oppose every effort to have the Eighteenth Amendment repealed?

This political paradox is explicable only on the ground that the astute politician believes that a militant minority, composed of fanatical drys, can give him enough trouble to more than offset the support he would receive from a wet and not particularly aggressive majority. In

other words, the Anti-Saloon League and certain active church elements must be seriously reckoned with when it comes to political influence.

However, a new phase of the problem is coming to the front. As a result of a progressive rise in the cost of Federal Government in the past few years, the country is confronted by the most colossal deficit in the fiscal history of any nation. This mounting cost of government synchronizes with a decline in the normal sources of revenue. In other words, we find that as a result of the bonus benefit to our ex-service men, farm relief to the tune of \$500,000,000, and the creation of new bureaus with comfortably paid employees, Uncle Sam cannot meet his bills. The Federal Government is in about the same position as many states and a host of towns and cities.

Consequently, we are hunting for new revenue, trying to figure out a manufacturers' sales tax, imposts on face powder and lipsticks, punitive taxes on stock transfers, and placing a higher tax on automobiles which we hope the motor industry will be able to sell.

With the credit of the United States Government under suspicion, with the outlook for some of our states decidedly shaky and numerous municipalities facing bankruptcy, the need for new revenue to balance the budgets is evident.

While some of the moderate drys may be inclined to admit that additional revenue might be obtained through the repeal of the Eighteenth Amendment or other modification of our liquor policies, practically all will stoutly oppose the idea that our present fiscal plight is in any way traceable to the attempted enforcement of Prohibition.

A compilation recently made by the Association Against the Prohibition Amendment computes the revenue we have passed up in the twelve years of Prohibition at approximately \$11,000,000,000. It is quite clear that with such a sum, the United States Treasury would not now be facing its present difficulties. A great deal might have been done with that \$11,000,000,000. It is said, for example, that the sentiment of the country



opposes the cancellation of war debts in spite of the fact that it is conceded that such action undoubtedly would put Europe on its feet and lay the basis for a world trade revival. Yet with that \$11,000,000,000 we could have cancelled the reparations and been \$2,000,000,000 better off than we are today without laying one dollar of additional tax on the American people during the twelve years of Prohibition. This increment would have come from the bootlegger, the gangster, and the host of corrupt politicians who have been the recipients of that vast sum.

However, this summary by no means gives a correct picture of revenue possibilities. The estimate for a twelve-year total of \$11,000,000,000 was based on the assumption that the domestic excise rates of 1919 would have been in force during that period, and that liquor consumption would have remained at about the same rate as formerly.

If, however, the revenue calculation should be based upon the excise rates now in force in Great Britain, the increment would have been much larger.

This will be clearly appreciated when it is pointed out that the sub-committee of the House Committee on Manufactures reached the conclusion that with a beer tax of four cents per pint, or nearly \$10 per barrel, the minimum tax yield on beer alone would not be less than \$650,000,000 with a maximum possibility of \$1,100,000,000 per year. The British excise rate on beer is about \$18 per standard barrel, or 80 per cent more than the House sub-committee set. This would suggest a revenue from beer alone of nearly \$2,000,000,000.

In its estimate of the revenue likely to be obtained from the 200,000,000 gallons of spirits (hard liquors), the Association Against the Prohibition Amendment placed the retail cost at \$2.75 per quart. Even in these days of depression when Scotch and gin are counted among the luxuries it would be hard to find a reliable bootlegger who would supply his favored clients with liquor at even twice this cost. Even at that cost with consumption estimated only for seventeen states, the revenue to the Federal Government is placed at approximately \$710,000,000. Assuming that in addition a tax comparable to the present British excise rate (or license to sell) were imposed, the Federal revenue would be approximately \$1,180,000,000. The total Federal revenue possibilities from liquor may be computed somewhere between \$2,000,000,000 and \$3,000,000,000, with the probabilities around \$2,500,000,000.

Professor Edwin R. A. Seligman of Columbia University, one of the world's best known tax authorities, places the revenue potentialities from a whisky tax today at \$1,280,000,000. In his statement before the American Institute of Consulting Engineers in January he said:

"But that is not all of the story. If we add to the Federal tax the state and local licenses, the figures would be still greater. In the year 1918 the State of New York received from its liquor licenses \$21,000,000; and the local licenses amounted to \$16,000,000 or \$17,000,000. In other words, the state and local liquor taxes together amounted to, roughly, \$40,000,000. With the growth of population and wealth, if we had the same rates today, the tax would yield about \$100,000,000.

"This figure is for the State of New York alone. If we add all the other states, in many of which liquor licenses existed,

it would be safe to state that if we had this system of Federal liquor taxes, and of state and local liquor licenses, we should have a revenue today of about a billion and a quarter to a billion and a half dollars, or almost three times as much as is expected from the personal income tax next year."

"The total Federal revenue possibilities from liquor may be computed somewhere between \$2,000,000,000 and \$3,000,000,000."

So much for the revenue phase in the event of a repeal of the Eighteenth Amendment. In our present fiscal position, it would not be enough to have additional income. The first step in revenue reform would be a drastic cut in national, state and municipal expenditures. The present writer recently expressed himself as follows on this question: "The supreme fiscal calamity would not be the

failure to balance our budget, but to be able to balance it by the levy of high taxes while sustaining the present scale of public expenditure. No nation, no matter how rich, could carry this burden even for how brief a period."

Consequently, the huge addition to public revenue should not be the signal for an orgy of new spending. The increment should be dedicated to fiscal reform. In the opinion of some of our closest students of taxation, fully half of the revenue accruing to the Federal Government which might reasonably be placed at \$1,250,000,000 should be allocated to states in compensation for tax relief on over-burdened groups. Our farmers today are paying—or trying to pay—\$777,000,000 annually in taxes. This is an increase of 148 per cent over the toll exacted in 1913. Our railroads are being assessed about \$400,000,000 compared with an average of \$123,000,000 for the period 1911-15. The increase in municipal taxes is appalling.

In these huge bills for the cost of government, we find most of the explanation for our bank failures and the present industrial depression. The shrinkage in the portfolios of banks, savings banks and insurance companies is directly traceable to the tax burdens under which railroads, as well as other corporations and the population of our cities are staggering.

With the allocation of a billion and a quarter dollars to the states in compensation for the lifting of taxes on farm lands, urban real estate and the railroads, our states and cities would be sure of revenue which they do not now collect, and the railroads could make an enormous reduction in fixed charges. The reaction from such a development would be inspiringly constructive. The effect would be found in a tremendous enhancement in railroad, state and municipal bonds, the re-opening of closed banks, and an end of the hoarding movement that has caused so much apprehension and received such wide condemnation.

The effect upon the position of the country would take on the proportions of an economic miracle. Restoration of confidence regarding our banking position and the re-

lease of funds ensuing from the re-opening of closed banks and the placing of hoarded funds in circulation would furnish the financial motive power for practically unprecedented industrial and commercial activity. It should be kept in mind that we have had two years and a half of deflation, under-buying and under-consumption. Scarcity of goods of every description exists all the way from the wholesale distributor down to the smallest individual consumer. The need of goods and the basic requirements are there.

Confidence and release of capital here



is the combination that would translate our needs into an effective and expanding buying power. It can be achieved by the repeal of the Eighteenth Amendment.

In these days of high tariffs and depression in world trade, it is just as well to consider briefly also the effect of the repeal on our foreign commerce. At present Europe cannot buy freely of our raw materials because we will not accept their manufactured goods. With the passing of Prohibition, it is claimed by leading authorities on this question, for two or three years at least, our imports of wines, spirits and malted liquors would go a long way toward paying for our cotton, copper, and foodstuffs which Europe needs. In reality this could easily be the first step in the revival of world trade, and in the adjustment of international indebtedness. Its favorable repercussions on

the fortunes of our farmers and other producers of raw materials could hardly be overestimated.

Down in Washington they talk of farm relief, when the real relief would be the lifting of the tax burden on our millions of farmers. Repeal of the Eighteenth Amendment would divert the flow of hundreds of millions from the bootlegger, gangster and political corruptionist, and furnish the means whereby the farmer would be given an opportunity to lift the mortgages from his farm, the railroads could meet their fixed charges, and hundreds of municipalities could be saved from bankruptcy.

No matter what may be our views regarding the moral phases of the liquor problem, there should be no divergence of opinion when facts and figures are before us and the economic life of the whole nation is at stake.

The Case for Continuation

By DEETS PICKETT

Research Secretary, Board of Temperance, Prohibition and
Public Morals, Methodist Episcopal Church

LEgal or illegal, the drink traffic is a burden upon legitimate business. A dollar spent for booze cannot be spent for shoes.

The question before the American people is this: Shall we legalize the liquor traffic, give it the advantage of a protected place of sale, the opportunity for advertising, facilitate its use of all of the methods of trade promotion under protection of the law? Shall we transform it from an harassed industry, handicapped by police and judicial procedure, to an industry flourishing under the benevolent approval of government?

We cannot forget the character of this "business." It paralyzes productive energy, retards the creation of real wealth, impairs credit and perverts desire, is the greatest enemy to thrift, misuses capital, wastes labor, menaces the public health and order and degrades the public morals.

It may be taken for granted that this traffic would be enormously increased by legalization. The assumption is supported by all economic theory and by examination of fact. Col. Amos W. W. Woodcock, Director of Prohibition, said before the House Appropriations Committee, January 31, 1932, "The government measured the amount of hops, corn, sugar, rye, barley, etc., raised and imported, subtracted the amounts used in known legal enterprises and reported that the amount of raw material left would make less than a third of the former liquor consumption." The vast character of the liquor traffic as it existed in the United States before 1920 is seldom realized by business men. The retail liquor bill in 1916 was probably about two and a half billion dollars annually. Under present conditions it would probably be double that; much of the increase being due to higher prices alone. It is unthinkable that the business men of this country will permit between two and a half billion and five billion dollars annually to be diverted from the tills of legitimate business to the cash drawer of the saloon or its successor.

How shall the American dollar be spent? For whisky and beer, or for automobiles and dry goods and groceries and whole-

some entertainment? Shall we wipe out the margin of savings which have been appearing as capital in our industries in order to care for a restored liquor trade? In the days when the Chinese went to war carrying a fan and an umbrella, a Chinese general explained his precipitate retreat by saying, "Two men cannot be in the same place at the same time; if one must come the other must go." What we face is a proposed displacement of expenditures and that for the benefit of a trade, the prosperity of which must inevitably injure every other trade. We must have in mind the effect of the general consumption of liquors upon men and women, which is the first consideration. The working man must carry on his back the non-producer. The laborer who pays his bills is charged a higher price to cover the loss due to those who do not pay. When a family is impoverished by the drink-debauchery of the father, the cost inevitably appears on the tax bill of the man who labors.

What, after all, makes business? Orders. The manufacturer is dependent upon the commercial traveler; the traveler upon the retailer; the retailer upon the customer; and the customer upon his pay envelope. It is the pay envelope which must struggle with the customer's needs and vanquish the regiment of bills which assault the home on the first of each month. He is the original source of orders. If we allow his pay envelope to be ripped open and robbed, he is knocked out of the market. The retailer, the manufacturer, the drummer, every man who labors or employs labor, is affected.

A member of the British Parliament said, "I saw a man in the gutter. He was dirty; the soap trade was suffering. His hat was broken; the hat trade was suffering. His toes had burst through his boots; the boot trade was suffering." Every legitimate trade was suffering because of the destruction of that man's buying power. It is not solely the man in the gutter who is lost as a profitable customer to legitimate business by his addiction to drink. Establish hundreds of thousands of liquor stores, no matter what they may be



called, and millions of "moderate drinkers" will have their buying power seriously impaired. Add to their number the wives and children who are dependent upon them and there will be other millions of American customers lost or nearly lost to America's marts each year. Because of drink they will wear fewer clothes, eat less food, and, still more important, they will produce fewer clothes, less food and less of the other innumerable articles of necessity, convenience and luxury for the storehouses of business. Having spent their money for wet goods, they will have less money to spend for dry goods. The statute re-establishing the liquor trade in national favor, allowing it to expand under the beneficent smile of government will subtract orders by the million from the total of the year's business. Factories will still their machinery and the procession of commerce will be retarded and thrown into confusion.

What the displacement of expenditures by legislation can do is shown by the phenomenal result of Prohibition upon business conditions in 1920. Immediately the expenditures diverted from the saloon sent a thrill of vitality throughout all legitimate business. The statistical improvement was so sudden as to be indicated by peaks upon every chart. It was a fundamental improvement, something much more significant than matters having to do with temporary periods of prosperity or depression, a stepping-up of the entire standard of living of the American people. And it is an improvement which has been largely maintained even in the present depressing times. Furthermore, it was an improvement having to do with the life of the average man, who is today longer-lived, better-housed, better-fed, better-clothed, with more conveniences in his home. Not all of this was due to Prohibition, of course, but the improvement was too sudden, too general, and too important to be dissociated from the adoption of the Eighteenth Amendment. Let me cite just a few indications of this:

In 1910, building and loan assets totaled \$945,569,000; in 1920, \$2,534,320,000; and in 1929, \$8,695,154,000. (Statistical Abstract of the U. S. 1930, page 277.)

The table of the average man is better served; the increase in the use of butter, winter fruits, and vegetables has been very large, while the household consumption of milk, particularly significant because of its effect upon the health and growth of children, has been greatly increased. This increase was only .6 of a gallon between 1917 and 1920, when Prohibition went into effect, but from 1920 to 1925 the increase was 11.75 gallons per capita annually. The public schools, which are attended by the children of the average American, approximately doubled in per capita cost between 1920 and 1928, with a great expansion in high school development. We were all of the time from the beginning of America until 1920 in building up a population of 521,754 in our colleges, universities and preparatory schools, but at the last available report this population had been nearly doubled. Life insurance in force in the United States has passed the hundred-billion mark, but it was only \$42,281,000,000 in 1920. Still more significant is the fact that the tools of production are coming into the hands of the entire American population. The number of stockholders in companies having more than one hundred thousand holders of shares increased by 243 per

cent between 1920 and 1930. This is a proletarian revolution indeed, and one much to be preferred to that of Russia. Are we now to throw all the machinery of progress into reverse, disturbing these trends which mean so much to the American family and the American society?

What would the

restoration of the liquor traffic to the favor of the law mean to the laboring man? Adam Smith said, "All the labor expended producing strong drink is utterly unproductive; it adds nothing to the wealth of the community. A wise man works and earns wages, and spends his wages so that he may work again. Employers, taken all around, do not pay more wages to total abstainers, but the latter contribute more to their own and

fellow worker's wage fund than do the drinkers." The liquor store would, of course, establish a payroll, but the "butcher, the baker and the candlestick maker" would call in their clerks, call attention to decreased business and the difficulty of collecting bills which were formerly settled promptly on the first of the month and say, "You must go." The manufacturers of liquor would need men to produce drink, but the manufacturer of automobiles would find it necessary to lay off men because of the decreased demand. In 1914, there were only 78 wage earners employed for each million dollars of investment in the production of intoxicating liquor, while during the same year the average for all industries was 308 per million.

The farmer faces a similar prospect, as he very well knows. Louis J. Taber, master of the National Grange, says that the increased use of milk alone under Prohibition has caused a consumption of farm products greatly above the amount formerly used in making alcoholic beverages.

There remains the revenue consideration. "Let the government have as revenue what is now going to enrich the bootlegger," say the opponents of Prohibition. But the setting up of a liquor trade as a source of revenue would directly strike at other rich and productive sources which now contribute to the treasury. The testimony of many chancellors has pointed out the folly of licensing a wasteful trade to act as a publican, collecting taxes from the people, for inevitably the trade collects ten times as much as it contributes to the government, and all of it must come from the pockets of the consumer. As for the bootlegger, there is no reason why he should be enriched. Mr. McAdoo's proposal that the government should confiscate his entire income is a sensible and just one. If we were to propose licensing prostitution, the suggestion would be thought horrible, and yet prostitution is going on. It enriches many exploiters of women. It is untaxed. Nor would the Federal Government license gambling because of the possible revenue. And yet gambling today probably involves more money than bootlegging. Certainly it is a greater racket in such cities as Chicago than the illegal sale of liquor.

Sir George Paish, several years ago, said, "Prohibition is an economic question. If half the amount spent for drink were saved in England and elsewhere among the nations, the problems of the world would be solved. As an economist I consider Prohibition is necessary and inevitable."

This article is all too brief to be comprehensive. Let me in conclusion challenge the assumption that widespread (Please turn to page 825)



America's Investment Stake Abroad

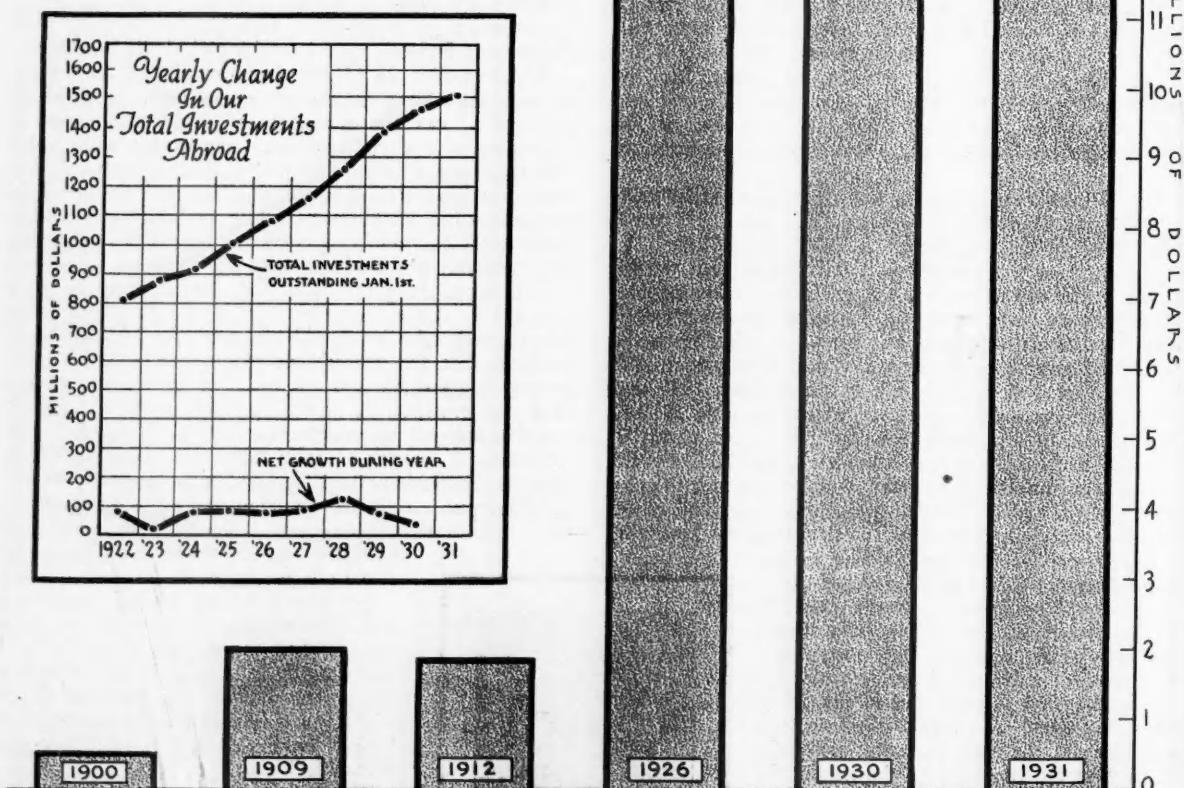
A Graphic Presentation

By THOMAS R. CARSHAW

A N old Chinese proverb has it that a single picture is worth ten thousand words. Perhaps the American investor who finds difficulty in digesting the estimable but still involved statistical tables which have been published by the Government on our foreign lendings will agree with it and form a more concrete concept from the accompanying charts.

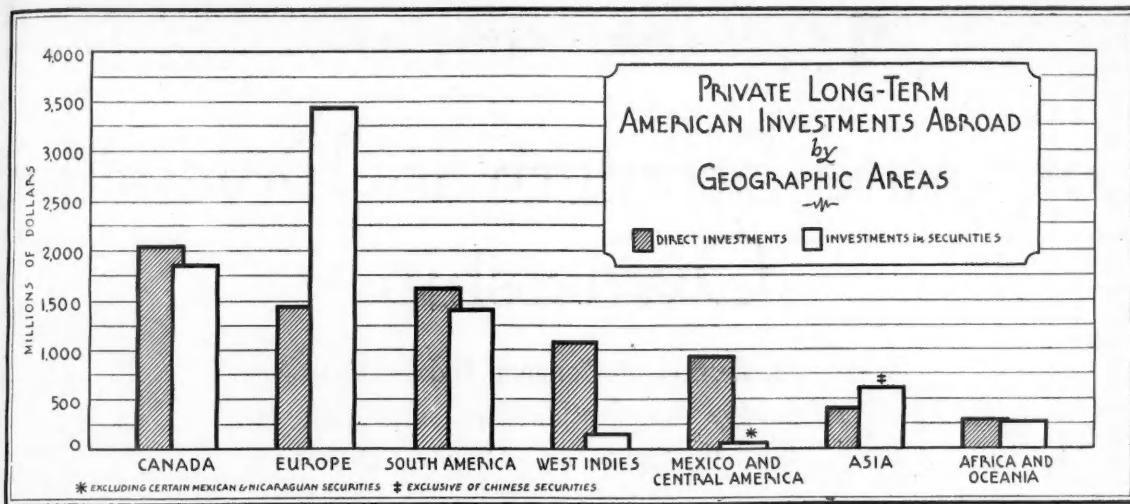
In the diagram on this page is shown the amazing growth of American investments since the beginning of the century. The figures upon which the bars are based represent American private holdings of foreign securities as well as so-called "direct" investments of American business firms in factories, assembly plants, agencies, plantations and similar properties abroad. "War" debts and other obligations owed to the United States Government are not included. Note how the war changed our position as foreign investors and the very rapid rise in the past six years.

Note: Unless otherwise indicated, the data used in this presentation are those of the Department of Commerce. Government estimates of total United States investments do not include certain items which private authorities recognize. This explains differences in recent year totals in the small chart below and the large bar totals.



THE GROWTH of AMERICA'S TOTAL FOREIGN INVESTMENTS

Authorities: 1900-N.T.BACON, 1909-C.F.SPENCE, 1912-J.B.OSBORNE, 1926-'30-'31-MAX WINKLER.



Above we see how our investment total is divided geographically and also into direct and security investments.

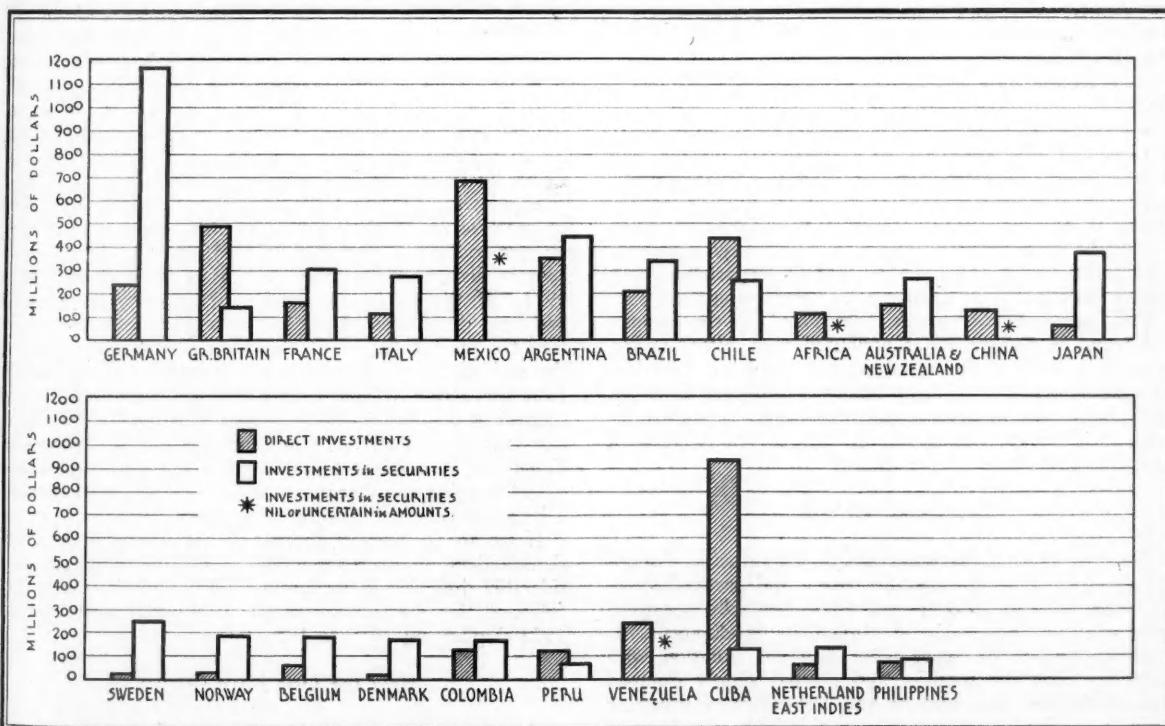
Europe, of course, shows the largest American investments of any continent, but our largest investment in any individual country is in Canada, here separately shown.

Note the preponderance of our securities investments in Europe and of our direct investments in the Caribbean area. The two kinds of investments are much better balanced in Canada, South America, Africa and Oceania, and Asia (omitting the Chinese bonds).

The chart below shows our investments, direct and portfolio, in each of a number of countries. (Canada appears in chart above). Here, as in the preceding chart, we see the importance to us of the area embraced by the Monroe

Doctrine, if, for the purpose of this article, we may include therein Canada.

Of individual countries, Germany takes second place, cuba third place, Argentina fourth, Mexico fifth, and Great Britain sixth in total American investments. Our privately-held stake in the Philippines appears surprisingly small, even when compared with our holdings in the Netherland East Indies. Our preference for indirect (i. e. securities) investments is remarkable in the cases of Germany, Denmark, Sweden, Norway and Japan. Our preference for direct investments in branch factories and the like is very noticeable in the cases of Cuba and Great Britain. Despite their enormous size, our direct investments in Canada are little larger than our securities holdings there.



PRIVATE AMERICAN LONG-TERM INVESTMENTS *by Countries*

Corporate Strength in Diversified Ownership

Wide Distribution of Common Stock Ownership of Advantage to Stockholders and Corporations — Growth Continues Despite Depression

By GILBERT N. STEVENSON

WITH the huge participation of millions of investors in the ownership of principal domestic corporations, Americans have built up, practically speaking, the greatest socialized nation on earth, from an industrial standpoint. No doubt this accounts for the fact that despite the worst depression that this country has ever experienced, there have been relatively few labor disturbances. American corporations have gradually increased wage scales over a period of years, and even now, millions of the workers who are daily engaged have as large or even greater purchasing power than they had in 1928 and 1929, despite wage cuts. Another reason is the great increase in the number of investors in the shares of American companies, during the past decade. Also, a constantly increasing number of workers employed by leading corporations have become stockholders in the companies employing them.

This broadening of stock ownership by the general public and employees has contributed to a better understanding between capital, management and labor. In fact, the gradual transfer of large holdings of shares from the few who in past decades represented capital and management, to the many, has gradually merged the interests of capital and labor to a large extent.

Continuous Growth

The growth of stockholders lists of the principal American corporations in the past ten years, and particularly in the years 1929 to 1931, is not whole-heartedly approved by all who have observed and studied the development. It is the contention of many who view the situation with misgivings that the wealthy and shrewd simply dumped their stocks on their weaker and less-informed investing brethren, and that before the stock market can enjoy a satisfactory and lasting recovery these stocks must be re-accumulated by the "big interests." While some weight must be given to these ideas, there is evidence that the

The stock of a company with a small list of stockholders, and with possibly 70 or 80 per cent of the stock held by a few individuals, almost invariably loses ground rapidly when conditions become unfavorable. On the other hand, stocks having wide distribution usually decline slowly because of the wider field of potential buyers.

holders, and that investors who waited for the stockholders list to record a shrinkage and indicate re-accumulation of shares by those who had sold out in 1919 and 1920 were disappointed. During 1921, American Telephone enjoyed an increase of 47,000 stockholders, to 186,300. In 1919, duPont had 8,137 stockholders; in 1921, 10,579. General Motors' list increased from 18,214 in 1919 to 67,000 in 1921. If the pessimistic theory was correct, these stocks had been distributed to the unsuspecting public and therefore the market future of these shares was not bright at the end of 1921. However, the low price of duPont in 1922 was about 105 and from that point it advanced to the equivalent of 1360 in 1929. General Motors' stockholders also saw their stock at substantial premiums. American Telephone, in addition to paying generous dividends, issued valuable rights on numerous occasions and the stock showed a large advance in the succeeding years.

If we are to consider the rapidly increasing numbers of shareholders, as an unfavorable factor, we will have considerable difficulty in explaining 1921, and the years that followed, for the lists continued to expand, with 1929 to 1931 duplicating 1919 to 1921.

How the Lists Have Grown

American Telephone's list of stockholders increased from 470,000 in 1929 to 645,000 in 1931. DuPont's list at the end of 1929 stood at 25,000; it was 42,000 in 1931. General Motors' stockholders numbered 177,000 in 1929,

and 296,000 in 1931. These three companies are not exceptions. They have simply been selected as examples. Other companies have enjoyed similar increases in their lists. Borden Company's list has grown from 17,000 in 1929 to 32,000 in 1931; General Electric has expanded from 60,000 stockholders to 150,000; General Foods from 18,000 to 42,000; North American from 38,000 to 54,000; Radio Corp. from 50,000 to 90,000; Sears, Roebuck from 18,000 to 32,000; Union Carbide from 29,000 to 49,000; and so on.

Effects of Wide Distribution

Those who study security movements know how vulnerable a stock can be which has limited distribution. The stock of a company with a small list of stockholders, and with possibly 70 per cent or 80 per cent of the stock held by a few individuals, almost invariably loses ground rapidly when conditions become unfavorable. There are often wide breaks in the market for such securities, mainly because there are so few people interested in them. Such corporations' credit or reputation might suffer solely because their stocks have had large declines. On the other hand, stocks having wide distribution usually decline slowly because of the wider field of potential buyers. There are always stockholders willing to purchase additional stock on recessions, and the broader public interest also adds to the number of investors who are favorably inclined towards the issue and attracted by any moderation in price. The decline is cushioned and less precipitate.

Another advantage of having a large number of stockholders interested in a company is the opportunity afforded for the corporation to finance substantial requirements for expansion through issues of additional stock to its own stockholders rather than selling such stock through other channels of distribution at a discount, or at heavy selling expense. In times of stress, too, a corporation often finds it possible to sell to its own stockholders a preferred stock or bond issue, instead of selling such an issue to investment bankers, thereby saving a substantial commission.

Trade advantages also would seem to accrue from a large stockholders' list. A partner in an enterprise is more likely to deal with his own corporation than with a competitor. It has been demonstrated by General Motors Corp., whose stockholders list has grown from over 18,000 in 1919 to 296,000 in 1931, that it has a real competitive advantage in the automobile market over Ford Motor Co., whose stock is closely held by the Ford family. Ford's foreign companies, organized in recent years, have allowed the participation of the public and it undoubtedly would add to Ford car demand were the company's employees, dealers, customers and the general public permitted to purchase shares in its business. There appears little doubt that, when other factors are equal, a stockholder of General Motors will

decide in favor of General Motors products rather than purchase a product of competitive make. There seems little argument that the 296,000 stockholders of General Motors have been an important factor in the large sales of that company and in establishing General Motors as the leader in the industry.

Stockholders also can be helpful in building up business as a number of companies have discovered. They have sent information to them concerning the products of the company and in many cases have included samples. Particularly is this true when the company is about to market a new product. In such promotional work, it is reasonable to assume that a large list of stockholders can effectively help the initial sales of a good article, not only purchasing themselves but recommending it to others.

One unfavorable effect of a large stockholders' list must be appreciated. It is dissatisfaction and resentment of an army of holders because of a long decline in the market price of the stock, the passing of a dividend, or a costly business mistake made by the management. Some observers believe that it is possible that a large list of dissatisfied stockholders might have an unfavorable effect on the company's business and a retarding effect on the recovery possibilities of its securities, after a depression.

The Wise Owls

Managements of utility operating companies for a number of years have realized the wisdom of wide distribution of stock, particularly to consumers in the territories served. Not only is it highly desirable for utility companies to have a large proportion of their consumers on their lists and thereby receive valuable suggestions and reduce onerous complaints, but such distribution undoubtedly has had a tendency to dampen the ammunition of the cantankerous politician who in the past has found it profitable to attack utility companies and their rates in legislative sessions or in vote-getting meetings. It has been notable in this depression, that politicians have not been so enthusiastic in attacking the rate structures of utility companies, an important factor having been that an increased number of consumers

have become stockholders. Most of these consumer-stockholders vote, and have a considerable influence on other votes, the politician concludes.

It is likely that corporations' lists of stockholders will continue to grow substantially over the next few years. The bond market received a tremendous impetus from the Government Liberty and Victory Loan campaigns. The great educational campaigns covering stocks, conducted in recent years by investment bankers, magazines, and newspapers, it is believed, will have lasting effects and will create, over a period of years, a broader stock market. The more detailed information furnished by corporations with respect to their operations, has been educating the

(Please turn to page 821)

Growth in Common Stockholders of Leading Companies

(All figures in thousands)

Company	1926	1929	1930	1931
American Telephone	399	470	568	646
Borden	5	17	24	32
Chesapeake & Ohio	6	6	9	14
Cities Service	44	359	460	518
Columbia Gas & Electric	18	32	40	48
Consolidated Gas of N. Y.	27	96(a)	97	83
DuPont	6	25	35	42
General Electric (b)	46	60	117	150
General Foods	2	32	42	52
General Motors	50(a)	177	248	296
New York Central	62	53	57	63
North American	25	38	46	54
Pennsylvania R. R.	141	196	283	345
Standard Oil of N. J.	45	93	112	127
Union Carbide	15	29	38	49
U. S. Steel	87	121	146	180
Westinghouse	38	44	48	58

(a) Includes Preferred stockholders. (b) General Electric shareholders include small proportion of Special stockholders.

UNION ELECTRIC LIGHT & POWER CO. (MO.)
Refunding and Extension 5's, May 1, 1933

Early Maturity Offsets Influence of General Market Fluctuations

Yield of 4½ Per Cent Assured to Investor Who Holds Issue for Redemption — Fixed Charges Earned by Company in 1931 with Greater Margin Than in 1930

By RUSSEL TAYTE

THE public utility industry, with its great stability of earning power in both good times and bad, presents almost ideal conditions, if only reasonable precautions are taken, for an investor who desires to lend his money for a fixed return. The peak of a pyramid, where every tremor in the base is exaggerated a hundredfold, is perhaps the principal danger in the field. But if this be avoided, there should be no doubt as to safety of principal or the payment of interest.

Yet, the present is an abnormal era in which many desire something more than ordinary safety. It is for this reason that we are outlining a short term obligation, which is not only strong in itself, but which by its early maturity guards against fluctuating interest rates. The bond selected is the refunding and extension mortgage of the Union Electric Light & Power Co. of Missouri, falling due on May 1, 1933.

The issue's background is a good one. It was only the generally disastrous 1931 which interrupted the debtor company's enviable record of steadily increasing gross and net revenues. But apart from the breaking of a record the declines registered last year

were not at all serious, particularly to holders of the senior securities, for owing to a reduction in the funded debt, fixed charges were earned by a greater margin than in 1930.

Union Electric Light & Power Co. (Mo.) is both a holding and operating company, all of whose common stock is held by the North American Edison Co., which in turn is controlled by the North American Co. The company and its subsidiaries supply electricity throughout a wide area in Missouri, Illinois and Iowa, including the greater St. Louis district in which a steam business is also done. The territory served by the Union Electric Light & Power Co. is roughly pear-shaped and lies about an axis drawn from Burlington in Iowa to Fredericktown in Missouri. It is an area of nearly 3,000 square miles and supports a population in the neighborhood of 1,500,000.

The company's facilities include steam plants at St. Louis and River-

mines, Missouri, of 122,000 kilowatts and 30,000 kilowatts capacity respectively. It also receives power from a 135,000 kilowatt hydro-electric station at Keokuk, Iowa, which belongs to the Mississippi Power Co., a subsidiary, and from the Cahokia steam plant of 235,000 kilowatt capacity at East St. Louis, which is leased from the Union Electric Light & Power Co. of Illinois, another subsidiary. Additional power is generated at Venice, East St. Louis and Alton, Illinois.

Finally, the company has just completed a hydro-electric development near Bagnell on the Osage River in the Ozark mountains of Missouri. This plant which cost more than \$30,000,000 is the largest of its kind in the Middle West. It resulted in the largest wholly artificial lake in the country, a body of water more than 129 miles long and covering an area of some 95 square miles. The installation is capable of generating more than 200,000 horsepower, which however may be increased as the need for additional facilities arise. Two power lines carry the current at 132,000 volts to Rivermines, a distance of some 120 miles, where the plants of the St. Joseph Lead Co. afford a satisfactory outlet. Another line, which

Union Electric Light & Power Co. (Mo.)

(Consolidated basis)

Year	Gross Revenues	Available for Fixed Charges	Fixed Charges	Times Earned
1931	\$31,277,103	\$13,994,956	\$4,872,635	3.06
1930	32,533,447	14,716,099	5,165,920	2.85
1929	31,494,788	13,999,652	5,173,022	2.71
1928	26,589,458	10,942,298	3,953,814	2.77

is to be duplicated in the near future, carries the current 138 miles to the Page Avenue substation in St. Louis.

The effect of the depression upon the business of the Union Electric Light & Power Co. (Mo.) was minimized by the wide geographical area over which operations extend and the diversity of business which follows such a condition as a matter of course. Last year output of electricity fell less than 4 1/2% under the peak year 1930, while the number of customers at the end of the year totaled 318,120 against 319,334 at the end of 1930. It might be noted that with the use of electricity for industrial purposes dropping 8.26% and for commercial purposes 8.17%, residential consumption increased 8.38%. This showing augurs well for the time when general industry again reaches a more normal level as is sure to be the case sooner or later.

Despite the fact that Union Electric Light Power is a holding company with some 20 subsidiaries, the system's capitalization has not been pyramided in the way which has brought disaster recently to so many of its more ambitious contemporaries. It has, for example, issued no debentures on the common stock of its subsidiaries and its entire funded debt is secured by mortgages upon its own property as an operating company. The value of this property on a cost basis as determined by the Public Service Commission of Missouri for rate making purposes was in excess of \$64,000,000 on September 30, 1929. Yet, funded debt at the end of last year was only slightly in excess of \$47,000,000.

The parent company's interest bearing debt is made up of a number of issues. Senior to all is \$6,200,000 in 1st mortgage 5s, due September 1, 1932. Following is the \$11,026,000 in refunding and extension 5s, due May 1, 1933, the issue in which we are primarily interested. Junior to these bonds there is some \$30,000,000 in general mortgage bonds.

The refunding and extension mortgage bonds are therefore a first mortgage on all the company's property and franchises, subject only to the 1st mortgage 5s, for the retirement of which a like amount of these bonds has been reserved. No underlying bonds can be issued by the company.

On a consolidated basis capital obligations of the United Electric Light & Power Co. consist of some \$34,000,000 in subsidiary funded debt, about \$17,000,000 in subsidiary preferred stock, \$47,000,000 of its own funded debt, \$13,000,000 in its own preferred stock and finally \$52,500,000 in its own common stock. Of the subsidiary funded

(Please turn to page 824)

for APRIL 16, 1932

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue in the list is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Total Funded (millions)	Amount of Debt this issue	Interest* 1930 Est. 1931	Times earned	Recent Price	Yield to Maturity
Norfolk & Western 1st Consol. 4s, 1966.....	112	41	7.5	5.4	87	4.6
Atchison, Topeka & Santa Fe Gen'l 4s, 1985.....	311	152	3.9	3.3	93	4.8
Pennsylvania Consol. 4s, 1948.....	607	20	1.9	1.2	89	5.0
Union Pacific 1st 4s, 1947.....	380	100	3.5	2.5	87	5.2
Northern Pacific Prior Lien 4s, 1997.....	313	107	2.2	1.2	76	5.3
Missouri-Kansas-Texas 1st 4s, 1990.....	107	31	2.8	1.2	73	5.5
Baltimore & Ohio First 4s, 1948.....	604	62	1.7	1.2	80	5.9
Kansas City Southern 1st 3s, 1950.....	65	30	1.5	1.2	62	6.6
N. Y., N. Haven & Hartford Ref. 4 1/2s, 1967.....	258	31	2.0	1.4	64	7.4
Northern Pacific Ref. & Imp. 6s, 2047.....	313	107	2.2	1.2	77	7.8

Public Utilities

	Call Price	Recent Price	Yield to Maturity
N. Y. Telephone Gen'l 4 1/2s, 1939.....	61	61	3.8
Phila. Electric 1st Ln. & Ref. 4 1/2s, 1967.....	166	34	3.1
Duquesne Light 1st 4 1/2s, 1967.....	65	65	6.7
Cincinnati Gas & Elec. 1st 4s, 1968.....	35	35	5.3
American Telephone Coll. Trust 5s, 1946.....	462	68	6.1
Illinois Bell Telephone 1st & Ref. 5s, 1956 ..	57	49	4.8
Westchester Lighting 1st 5s, 1950.....	22	9	3.1
Pacific Gas & Elec. Gen'l & Ref. 5s, 1942....	311	36	2.4
Detroit Edison Gen'l & Ref. 4 1/2s, 1961.....	129	50	2.9
N. Y. Power & Light 1st 4 1/2s, 1967.....	67	66	2.8
Pennsylvania Pwr. & Lt. 1st 4 1/2s, 1981.....	131	121	2.7
North'n States Pwr. 1st & Ref. "B" 6s, '41.....	100	8	3.3
Denver Gas & Elec. 1st & Ref. 5s, 1951.....	46	9	2.3

Industrials

Standard Oil of N. J. Deb. 5s, 1946.....	169	120	7.4	102	102	4.8
Swift & Co. First 5s, 1944.....	53	23	3.7	108 1/2	100	5.0
Western Electric Debenture 5s, 1944.....	35	35	4.3	105	96	5.4
Lorillard (P.) Co. 7s, 1944.....	19.8	9.2	2.8	NC	106	6.3
Bethlehem Steel 1st & Ref. 5s, 1942.....	118	13	4.3	105	85	7.1
Goodyear Tire & Rubber 1st & Coll. 5s, 1957.....	63	56	2.8	103	71	7.6

Short Terms

Name	Due Date	Amount (Millions)	Price	Income	Maturity	Yield Basis
Detroit Edison 1st & Coll. 5s.....	1/1/33	10.0	NC	101	4.9	3.9
Corn Products Refining 1st 5s.....	5/1/34	1.8	105	102	4.9	4.1
Union Elec. Lt. & Power Ref. & Ext. 5s.....	5/1/33	6.2	NC	101	4.9	4.3
Norfolk & Western Imp. & Ext. 6s.....	2/1/34	2.0	NC	103	5.8	4.5
Chicago Gas Lt. & Coke 5s.....	1937	9.9	NC	100	5.0	5.0
Computing, Tabulating & Recording 6s.....	6/1/41	2.7	105	105	5.7	5.9
Portland Gen'l El. Co. 1st 6s.....	1935	6.8	107 1/2	95	5.3	6.6
Bethlehem Steel Purchase Money 6s.....	7/1/36	22.3	105	91	5.5	7.6

* On total funded debt. NC—Not callable.

NOTE—Our preferences in the above list, at present, are among the short term issues.



ROCK ISLAND

Fear Forces Senior Securities to Attractive Levels

General Market Conditions Contribute to Depression of Prices Below Reasonable Discount of the Result of Possible Recapitalization—Provides Opportunity for Protected Investment Position

By J. C. CLIFFORD

LIKE most of the important railroads in this country, the present Chicago, Rock Island & Pacific Railway Co. was born of receivership and it should be frankly recognized at the very outset that a rebirth by the same means is not entirely outside the realm of possibility, for the road failed to earn its fixed charges last year and is faced with heavy maturities early in 1934. What are the prospects of serious difficulties being avoided? Let us first examine the road itself.

The Rock Island is definitely among the large transportation systems of the country. Except where it crosses the Mississippi to enter Chicago the territory which it serves is bounded on the east by that river and on the west by the foothills of the Rockies. The road's main routes are from Chicago to Minneapolis; from Chicago to Denver; and Chicago to Santa Rosa, New Mexico. It also operates lines between St. Louis and Kansas City and between Memphis, Oklahoma City and Santa Rosa, while yet others extend far south into Texas.

In all, the Rock Island Lines are more than 8,000 miles in length and while the road is commonly known as one of the "grangers," such a vast expanse of territory must necessarily result in a considerable diversity of freight.

Indeed, the trend towards a more balanced business has been clearly evident for a number of years. As recently as 1924 products of agriculture including animals accounted for nearly 32% of the tonnage carried, while for 1930—the latest year for which the facts are available—this item accounted for less than 27%. At the same time manufactures and miscellaneous freight

increased from 23½% to more than 30½% of the total.

Rock Island's reorganization, completed in 1917, was soundly conceived, although the receivers admittedly had on their side the fact that, from the operating standpoint, the road's bankruptcy was less hopeless than many. By assessing old stockholders 40% of their holdings for which they received 7% preferred stock and by selling \$5,000,000 in 6% preferred to former directors about \$35,000,000 new money was raised. The \$20,000,000 defaulted bond issue received 6% preferred.

Helped by the war and post-war boom, the railroad promptly proceeded to justify the high hopes which had been held for it. True, it encountered more or less serious difficulties in the crash of 1920, but these were quickly surmounted and net operating revenues from 1922 to 1929 never once looked back. Dividends on the common were initiated in 1927 at the rate of 5%, which was afterwards raised to 6% and then to 7%, only to be passed last year as a result of the depression.



Rock Island Bridge at Memphis

It must be remembered that during the years of improving earnings the road and its equipment were restored to a high degree of efficiency. Heavier rails were laid, track ballasted, grades eliminated and the like. Between 1924 and the present time the number of locomotives was actually reduced by some 10% but their total tractive power increased by the same amount. Likewise, the number of freight cars owned by the road declined slightly while their total capacity registered a material increase.

There was naturally a growth in Rock Island's funded debt to pay for all these betterments, but the justification for the expenditures cannot for a moment be doubted in view of the consistent improvement in the number of times by which fixed charges were earned, at least up until 1929. The justification can also be seen from a steadily declining operating ratio.

With this as a background we are in position to analyze the immediate past. It has been seen that the Rock Island amply justified its existence prior to the present depression, that it was steadily being improved, and that the improvements were being made upon a reasonable basis. But in 1930 and 1931 serious declines in revenue freight on all the country's railroads, naturally including Rock Island, seriously clouded the promise of a bright future.

Total railway operating revenue declined from \$147,700,000 in 1929 to less than \$100,000,000 in 1931, while net railway operating income fell from \$24,850,000 to \$12,920,000 over the same period. As the road's fixed charges are in the neighborhood of \$14,000,000 annually it is clear that they were not covered last year. In the first two months of 1932 matters have gone from bad to worse, with net operating income amounting to only \$279,454 compared with \$1,855,331 in the corresponding two months of 1931.

On top of this there is the road's capitalization. Under normal circumstances this would be considered not

too badly balanced. Total funded debt at the end of last year amounted to \$318,000,000, while there was \$29,422,000 in 7% preferred stock, \$25,137,000 in 6% preferred stock and \$74,360,000 in common stock. That is to say, of the total capitalization about 70% is in bonds and the balance in stock. Of the bonds, the largest individual issue, the Chicago, Rock Island & Pacific Railway 1st and re-funding mortgage 4s, outstanding in the hands of the public in the amount of more than \$104,000,000 matures April 1, 1934. There are also two divisional issues totalling \$22,000,000 which fall due in the same year.

With present earnings far below fixed charges and taking into account the great difficulty of selling any security under existing conditions, it would seem that both revenues and the

1931 level this will make a difference of about \$2,000,000. Then there was the reversal by the Supreme Court of the Commission's order for lower grain rates which is expected to aid the road to the extent of some \$1,500,000 a year. In addition, the 10% reduction in union wages which became effective on February 1 must be taken into consideration. This item added to the wage and salary reductions already made will reduce expenses between \$4,000,000 and \$5,000,000 a year. Finally there is the hope that the favorable outcome of a livestock freight rate investigation will bring in a further \$300,000 or \$400,000.

Even allowed a considerable margin for error in these estimates, there seems no doubt that with traffic at 1931 levels the Rock Island would again cover fixed charges. This would settle the main difficulty, for it would almost certainly permit financing, even though the basis were an expensive one.

It was with a view of the prospective financing — now dangerously near—that the company proposes a unification of the properties as far as possible. This will not only enable a new mortgage to be executed as a direct lien on all the properties of the system, materially simplify the financial structure, but will also eliminate the expense of maintaining many separate corpora-

tions and the complications so entailed.

Nevertheless, though all these factors can be counted on to aid the situation the crux of the matter lies in traffic volume. Can it be expected for the near future that this actually will reach even the low 1931 level? The various rate increases from which the road expects to benefit will undoubtedly divert at least some freight to the hated motor truck. Also, it must be admitted that the situation faced by raw material producers in general shows few signs of early betterment. The farmers of Rock Island's territory of course will continue to ship grain and other farm produce, just as the oil companies will

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Capital Structure of the Chicago, Rock Island & Pacific Railway Co.

Security	Amount Outstanding	Comment
Chicago, Rock Island Gen. 4s, 1988...	\$61,581,000	The underlying general mortgage bond. Strong issue yielding about 6 1/2% at current price of 62.
Chicago, Rock Island 1st & Ref. 4s, 1934	104,470,000	Secondary bond. A first lien on some property but subject to general 4s, divisional issues and others. Semi-speculative.
Chicago, Rock Island Sec. Ser. "A" 4 1/2s, 1952	40,000,000	
Chicago, Rock Island Conv. 4 1/2s, 1960..	32,928,000	A direct obligation but unsecured by mortgage. Speculative.
Various divisional issues	41,099,235	Their strength depends upon the importance of the trackage on which they are mortgaged.
Equipment obligations	39,205,000	Secured by the road's equipment. Businessman's investment.
 Total bonds outstanding	 \$318,583,235	
Preferred 7%, \$100 Par	29,422,189	Both issues cumulative up to \$5 a share per annum. The \$7 preferred has preference and priority over the \$6 preferred to the extent of \$1 in any year. Speculative.
Preferred 6%, \$100 Par	25,127,300	
Common, \$100 Par	74,359,723	Would not recommend.
 Total capitalization	 \$447,492,447	



New Hope for the Oils

Improved Statistical Position and Rising Prices
Indicate More Profitable Operation Ahead

By NICHOLAS T. CALHOUN

AT a time when general business is at the lowest ebb of depression it appears quite likely that the petroleum industry has put the worst behind it and that its 1932 earnings will materially surpass the very poor figures of 1931. The trend, at any rate, is clearly toward improvement. Its ultimate degree, of course, remains subject to the uncertainties always present in the most speculative of industries.

Oil prices are pointing upward and herein lies the whole story of profit or loss for the industry. Oil company earnings are satisfactory when prices are good and never otherwise. Prices are good when production is in reasonably close balance with consumption. Such a balance has now been struck.

Prices of crude oil have been raised 15 cents per barrel in the Mid-Continent area, effective April 1, and this step has been followed by parallel increases in other territories. To some extent the change is seasonal and experimental, since it comes as we approach the annual period of heaviest gasoline consumption.

Nevertheless, it appears significant as a continuation of an upward price trend evident since last July. The present top price for Mid-Continent crude of 40-degree gravity or higher is \$1 per barrel. The lowest posting is 76 cents for oil of 29-degree gravity or lower, while a 2-cent differential prevails for intermediate grades.

The \$1 per barrel quotation is not high as compared with the average of normal years and will not spell fat profits for anyone. The gain is striking only because it has come from so low a base, crude oil having dropped to an all-time low of approximately 20



Mary Sudek Oil Well Near Oklahoma City

cents a barrel last July. That price reflected the utter disorganization of the market resulting from the finding and initially insane exploitation of the vast East Texas fields.

The improvement which has since occurred was initiated when the Governors of Oklahoma and Texas called out troops to enforce proration. It has been bolstered by further progress in proration in the chief producing states.

In the demand for effective control of production, price itself is the most potent influence. It required a dis-

astrous price, apparently, to arouse the industry and the officials of oil-producing states to the necessity of a sane control. It required a disastrous price to put thousands of irresponsible wild-catters and marginal refiners out of business.

Wide fluctuations of price have always been the curse of the industry, reflecting wide fluctuations in production, and always will be such unless iron-bound proration can subject human greed. In a basic sense also, price has been an effective long-term regulator, serving, however painfully, to maintain a balance between supply and demand.

It is open to question to what extent this natural, economic control can in the long run be supplanted by artificial control, particularly as long as effective proration must rest upon the cooperation of competing areas, rather than upon a national plan. The test of the present proration efforts is not to be had in a period of generally low prices, for at such a time all the weight of economics is against excessive output.

It will come as prices reach a level which again will encourage marginal producers and marginal refiners to enter the market. Thus, any material extension of the present upward trend of prices will be decidedly interesting in demonstrating to what extent, if any, genuine and permanent progress has been made toward the sound control and conservation of one of our most valuable, and certainly not inexhaustible, natural resources.

The exact price level which might threaten a breakdown of proration is, obviously, subject to a variety of con-

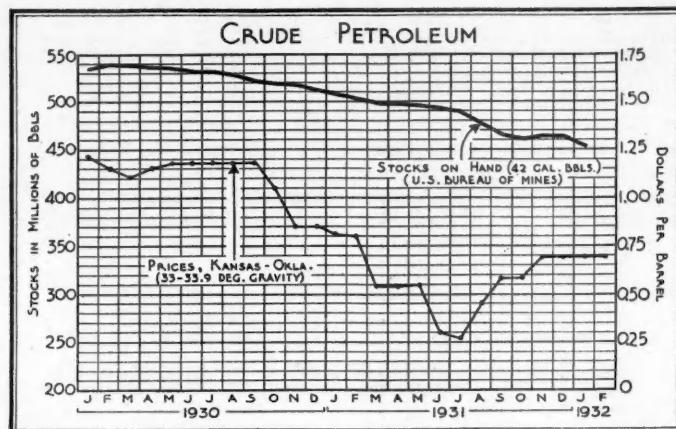
lecture. Under present conditions there is certainly little danger that \$1 crude oil will bring out a rush of production. Indeed, it appears reasonable to believe that Mid-Continent crude may advance to a top of \$1.25 a barrel without unbalancing production. Not only is the lesson of East Texas still fresh in the mind of the industry, but the general effect of depression is to restrict credit and to retard irresponsible expansion of all kinds. Hence, for an indefinite time the chances appear favorable for at least a moderate improvement of the conditions confronting the larger oil companies.

Investors in oil securities should realize, however, that at best there is a definite ceiling to prices and profits under existing conditions, and that the statistical position of the industry, as reflected in figures of actual output and stocks above ground, is a less reliable guide to the price prospect than in former years.

The statistical position of the industry today is excellent. Representatives of Kansas, Oklahoma and California, meeting in Austin, Tex., recently, recommended that production for the country be held down to 2,373,000 barrels a day from April 1 to October 1. Actually, production today is well below this figure and clearly is not in excess of consumption. Figures for the latest week available show an average daily production of 2,163,050 barrels. At the corresponding time a year ago production was nearly 2,300,000 barrels a day, while for the same week in 1930 it was above 2,500,000 barrels a day and in 1929 was nearly 2,700,000 barrels a day.

So far this year, indeed, the production trend of crude oil has closely paralleled the average of the years 1924-1928. Since consumption, especially of gasoline, has tended to increase during this time, it is obvious that considerable progress has been made in balancing the actual output with demand.

The statistical position of gasoline stocks also is favorable, total



stocks for the latest week available being 46,726,000 barrels. The trend thus far in 1932 has virtually paralleled that of 1931 and the present level of stocks is substantially under the 55,000,000-level existing at the same time in 1930.

Indeed, there is nothing in the statistical record which will explain the abnormally low prices to which crude oil and gasoline declined last year. At the height of the Texas boom average daily production climbed to approximately 2,600,000 barrels but this was only moderately more than was being produced at the same time a year previously and was far under the production rate at the corresponding time in 1929.

The total 1931 production of 850,275,000 barrels was approximately 5 per cent under the 1930 total and 15 per cent under the 1929 total. The combination of this decrease with a sustained demand—virtually the only sustained demand which any industry enjoys—would appear to have been sufficient for profitable operation. Yet Mid-Continent crude of 36-degree gravity started 1931 at only 95 cents a barrel, got down to 18 cents in July, closed the year at 75 cents and now has only approximately duplicated the best

quotation of 1931. Gasoline prices throughout 1931 were chaotic. Standard U. S. motor gasoline at wholesale in the Mid-Continent averaged from 7 to 7½ cents a gallon during the first half of 1930, then declined steadily to 4 cents in the closing months of that year. Plainly, therefore, the gasoline market had become unsettled before flush production in Texas arose as a threat to the stability of the industry.

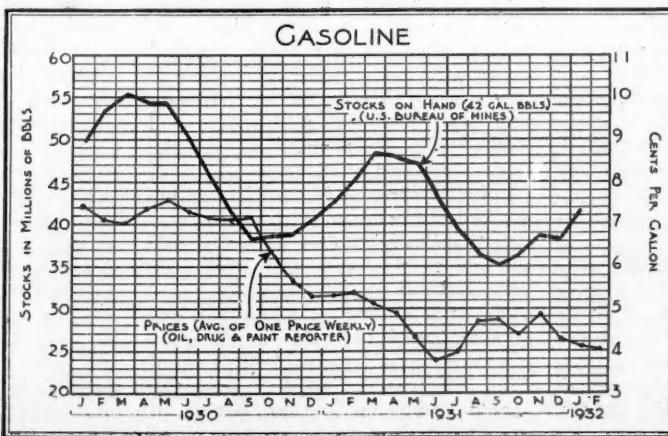
Starting 1931 at a price of about 4½ cents a gallon, gasoline dropped to nearly 2 cents in June, advanced to 5 cents in August, dropped below 3 cents in September, advanced again to 4½ cents in November and again fell below 3 cents in December.

Despite the absence of excessive stocks and regardless of the higher crude prices, gasoline today has advanced only from 2½ cents at the start of the year to approximately 3½ cents at present and is 1 cent below the quotation of a year ago. From this performance the conclusion cannot be escaped that the difficulties of the industry are not entirely confined to production. The price of gasoline can only reflect a highly competitive situation among refiners and distributors.

If there is any explanation for the disparity which exists between fluctuations of crude prices and fluctuations of output, it lies in the fact that the statistical position refers only to oil above ground. Up until 1926 when the Seminole area was opened up, such figures were significant, for the general tendency of the industry was to permit every completed oil well to produce at capacity and to store the excess.

Seminole's huge output led to a movement to store oil underground, which is the cheapest method of storage. The shutting in of production since that time has become the rule in all flush fields and has made it possible for the industry to operate on smaller crude inventories. The result is that oil above ground has become less and less potent a

(Please turn to page 821)



Investment Opportunities in Stocks

- 1.—Free from Debt
- 2.—Independent of Foreign Markets
- 3.—With Favorable Records in Adversity

Selected by THE MAGAZINE OF WALL STREET Staff

Here is an attractive group of securities having the same general characteristics. In this unusual investment market situation they carry an unusual appeal to the business man who may prefer to have his funds in the issues of corporations whose progress can be observed readily. By freedom from debt, is to be understood an absence of funded obligations and also of any important indebtedness to banks; independence of foreign markets is a consequence of the relatively small part exports play in the total business, while the favorable record in the adversity of the past two years suggests that the companies under review here approach the ideal of depression-proof.

Hershey Chocolate Convertible Preferred

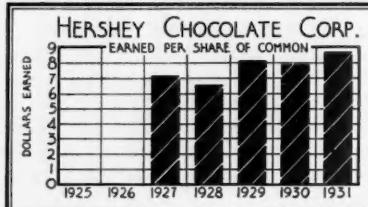
Dividend Rate
\$5.00

Recent Price
70

Current Yield
7.1%

THE American public has a taste for chocolate that it is slow to relinquish, however it may economize in other directions. While five cents buys a larger chocolate bar than ever before, the drop in the price of cocoa beans and sugar is so drastic that profit margins are at a peak. Out of this combination of circumstances, the 1931 record earnings of Hershey Chocolate Co. were produced.

This company, in 1930, increased the size of its principal product, the five-cent chocolate bar, as a reduction in price was impracticable. Nevertheless, the decline in commodity prices was so extensive that the profit per dollar of sales advance from 19 cents in 1929, to 21 cents in 1930, and to 28 cents in 1931. The company's earnings last year, of \$7,635,618, or \$8.73 a common share after dividends on the \$4 convertible preferred stock, compared with \$7,519,894, or \$7.89 a share, after 6% prior preferred, and \$4 convertible preferred dividend payments in 1930. The balance of the 6% prior preferred stock was retired in the course of 1930, leaving the present 293,180 shares of convertible preferred and 706,820 shares of common stock constituting



the capital structure of the company.

Although the convertible preferred stock has a sound investment rating with its regular dividend, plus a \$1 annual extra which must be declared or set aside prior to the declaration of any payments on the common stock in any year, preferred stockholders will undoubtedly be tempted to exercise their conversion privilege as stability of earnings supports increased common stock distributions. Whereas the preferred is limited to \$5 a year, the regular rate on the junior shares has been increased to \$6, and the earnings record makes this appear conservative. The preferred stock is convertible into common on a share for share basis, without limit as to time. Complete conversion would result in a capitalization of 1,000,000 shares of common stock

as Hershey's complete capital structure.

An important element of stability in Hershey's business is the fact that it is so strongly entrenched in the United States, eliminating exchange fluctuations, and meeting a consumer demand based upon a well-defined national taste. Sugar consumption per capita in the United States is around ten pounds a month, much of it being in combinations with chocolate. While more than half of Hershey's sales volume is derived from the popular-priced chocolate and almond bars, the balance is diversified among breakfast cocoas, syrups and similar products, that meet household and soda fountain needs. Hence, if the trend of sugar, and consequently of chocolate consumption continues upward, Hershey is in a position to expand sales in one or more of its divisions.

The company's balance sheet position at the end of 1931 was comfortable, with current assets of \$10,181,438 and current liabilities of \$3,398,009. Cash in the last balance sheet amounted to \$2,522,842, or a modest gain from the \$2,305,426 reported a year earlier. This was in spite of an increase in inventories to \$5,934,499

from \$4,483,039 at the close of 1930, apparently to take advantage of the commodity prices which are now so favorable to the company's operations.

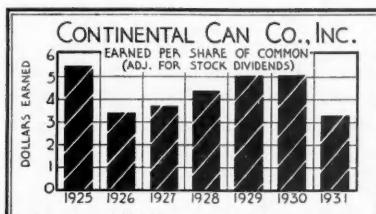
In the past three years the Hershey management has successfully coped with two major balance sheet problems. At the start of 1929, there were outstanding \$14,550,000 of 6% prior pre-

ferred stock, reduced to \$8,692,500 at the start of 1930, and entirely retired at the call price of 107½ in that year, without carrying bank loans over the year-end. Similarly, an inventory of \$12,172,261 at the close of 1929 was reduced about 60% in the following year, without interrupting the steady rise of earnings.

The prospects for the common stock now center in the eventual reduction of the number of \$4 convertible preferred shares outstanding and in the company's continued, intensive cultivation of its domestic markets. The junior shares at 68 are selling to yield 8.8% on a dividend secured by demonstrated earnings and management.

Continental Can Co., Inc.

Dividend Rate	Recent Price	Current Yield
\$2.50	32	7.8%



WHILE it is true that the Continental Can Co. has interests abroad and also true that these interests have been expanded in recent times, the company's foreign business is far overshadowed by its domestic operations. The company is quite definitely among those for which a very fair measure of prosperity is possible regardless of what might happen to its interests outside this country.

The business of the Continental Can Co., as its name clearly implies, is mainly the manufacture of "tin" cans. About 70% of the output consists of the standard container, used for packing fruits, vegetables, meat and fish, while the balance is made up of general line cans in which a continually widening variety of products are being sold. The company also makes can-closing machinery which it leases to customers. Although no sales are reported, it is understood that Continental Can does a business about a third as great as that done by its major rival, the American Can Co.

Despite the fact that Continental Can is not the largest factor in the field, its position is important and its record excellent. Dividends on the common have been paid in every year

but one since 1915. The present rate is \$2.50 a share annually, which affords a yield of almost 8% at the current price of \$32 a share. This is a liberal return in view of the margin of safety provided by earnings. For 1931 the company reported net income equivalent to \$3.27 per share of common stock, after the usual deductions and after setting up a special reserve for receivables of more than \$1,230,000. For the previous year \$5.04 a share was shown.

Continental Can's balance sheet at the end of last year was as usual impressive. Capitalization consisted solely of 1,732,985 shares of common stock of no-par value. There was no funded debt, if one excepts an insignificant amount of purchase money mortgages carried among the current liabilities. Total current assets, including more

than \$9,000,000 in cash, amounted to \$32,600,000, whereas current liabilities were considerably under \$2,000,000.

It might be noted, however, that of the current assets, some \$10,590,000 was made up of receivable items. These have shown a steady increase for a number of years and, while such a development might have been perfectly natural under conditions of steadily increasing business, it would seem with the smaller volume of last year that the company was experiencing some difficulty in collecting its bills. Confirmation of such a supposition is to be derived from the already mentioned reserve which was set up last year for such a contingency.

Not that the company's collection difficulties have reached an acute stage by any means. It is only that their accentuation might possibly slow down the company's further expansion in a business whose long-term potentialities are never for a moment in doubt. For this reason and also because there is as yet almost no sign that the depression has left us, it might be wise for the prospective investor to insist upon the insurance contained in a moderately lower price for the stock than that which currently prevails.

American Snuff Co.

Dividend Rate	Recent Price	Current Yield
\$3.00	31	9.7%

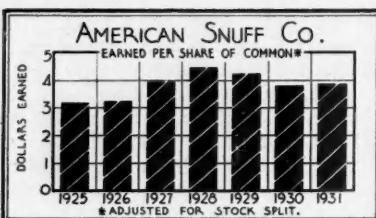
OF all the numerous branches of the great tobacco industry, snuff production and distribution have always been the least spectacular and probably for this reason it is also the most stable. The only important incident of the present century recorded by history in the otherwise uneventful snuff business took place in 1911, when the Supreme Court decided that the American Snuff Co. had built up a monopoly in its brief eleven years of

corporate existence, and ordered it to divest itself of control of the George W. Helme Co. and the Weyman-Bruton Co. These three companies still divide the country's snuff trade about equally between them; although the Weyman-Bruton Co. now known as the U. S. Tobacco Co., has been a little more aggressive in recent years than either its twin brother or the parent company. While the former two companies have continued to con-

fine their activities to the Southern States, where competition has become extremely keen, the U. S. Tobacco Co. has been spreading into other sections of the country, and in addition has branched out into the chewing and smoking tobacco end of the business.

During the past twelve years earnings of the American Snuff Co. have fluctuated in reflection of changes in the prosperity of its Southern customers, within the comparatively nar-

row range of \$3.19 and \$4.45 per share; while cash dividend disbursements have varied between \$2.75 and \$3.50 per share—both on the basis of present capitalization. The largest earnings of \$4.45 were reached in 1922, from which year there was a gradual recession to \$3.19 in 1925; up again to \$4.41 in 1928; down to \$3.76 in 1930; with a slight gain to \$3.81 last year. Since the 4-for-1 split-up in July of 1929, the regular dividend rate on the present 440,000 outstanding shares of common stock has been \$3, with a 50 cents extra in 1930, and an extra of 25 cents in January of last year and again this year. As the company is not expanding very rapidly, and its profits are comparatively stable, it is possible to disburse to stockholders the major portion of its earnings. In fact the profit and loss surplus built up during the 31



years of its corporate life now amounts to only a little over \$16 a share.

The only obligation ahead of the common stock is about \$4,000,000 of 6%, non-cumulative preferred; which is non-redeemable, and so calls for no sinking fund reservations. There is no funded debt, and the property cannot be mortgaged without consent of two-thirds of the common and preferred stock outstanding. As the business is purely domestic, earnings are obviously

not affected by gyrations in foreign exchange rates. The company's plant and warehouses in Kentucky and Tennessee are carried on the books at the nominal net figure of about \$280,000 after depreciation reserves; whereas working capital amounts to nearly ten millions. Inventory comes to nearly seven millions.

In 1929 the common stock sold at 206, an all-time high—the equivalent of 52 on the present split shares. It may be regarded at the present time as a long-pull investment with possibilities of moderate price appreciation as business revives. Since the company has no bank loans, it is in no danger of running into credit difficulties; but the stock's market price could be depressed somewhat further temporarily in the event of further declines in the general list.

General Foods Corp.

Dividend Rate
\$3.00

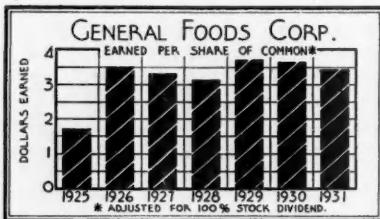
Recent Price
33

Current Yield
9%

As many a grocer and delicatessen dealer has discovered to his profit, the American public is readily attracted to new food lines by their appeal to the eye. Repeat orders, concededly, depend upon the food values of the product. These simple merchandising principles have long since established the popularity of packaged foods, extensively advertised, offered in attractive containers, and of standard quality. Food buying habits are slow to change, and even when luxuries must disappear from the table, the trade-marked staples remain. General Foods Corp., which grew into a \$70,000,000 consolidation of packaged foods divisions, from the Postum Cereal Co., has shown a stability of earnings in the past three years that demonstrates its position as a leading food purveyor to America.

In 1931, the company reported earnings of \$3.44 a share on the 5,275,667 shares of common stock, the sole capital liability. This compared with \$3.63 a share in 1930, and \$3.68 a share in 1929. A factor in this showing through a period of generally adverse business conditions was the wide decline in commodity prices as compared with packaged prices, increasing the margin of profit. The primary influence, however, is apparent in comparatively steady tonnage sales.

The company's important sources of revenue now include coffee, tea, chocolate, syrups, cereals, salad dressings, and specialities such as pectin. The



latter is used in home fruit preserving and enjoyed a record demand last year when amateur jelly-making was stimulated. Effective advertising and selling practices enable the company to distribute its products throughout the American market.

It is true that many of the company's acquisitions were made in the period of high prices that prevailed through to 1929. However, the efforts of the management have been devoted to manufacturing and selling economies that work to offset the original cost disadvantage. It is likewise true that the common stock has a low book value, approximately \$12 a share, in relation to market price. The latter is based upon the demonstrated earning power which comfortably supports the \$3 annual dividend rate, offering a yield of approximately 9% at current quotations.

The prospects for expanded earnings for General Foods depend upon increasing sales of packaged goods, upon further efficiencies in operations, and upon the now wholly-owned subsidiary, Frosted Foods, Inc. The possibilities of

the latter's Birdseye process for quick freezing of meats, vegetables and fruits, as distinguished from the earlier, and in some ways unsatisfactory slow freezing methods, cannot be fully estimated as yet. Special retailing equipment is necessary, and installation is slow, but excellent consumer reception has been experienced at the 210 stores thus equipped at the end of 1931. If the expansion continues along the lines followed thus far, without competition, Frosted Foods may reasonably be expected to add importantly to the earnings of the parent company over the next few years. In this connection, a major development last year was the purchase by General Foods, of the 49% interest in Frosted Foods held by Goldman Sachs Trading Corp. which originally carried its investment at a cost of \$12,750,000. General Foods received these holdings, bringing its own interest up to practically 100%, in exchange for 30,000 shares of its own stock, purchased in the open market. The transaction necessitated an item on the year-end balance sheet of \$1,711,625 of notes payable, practically the first item of this sort in several years. The liability is not current, maturing on March 1, 1933, or convertible into Frosted Foods preferred stock at the option of General Foods.

To meet current liabilities of \$5,405,543 on December 31, last, the company had cash of \$10,504,278, and total current assets of \$35,787,730. This is important to the development

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of the promotional program, as well as in supporting the dividend.

Although General Foods has Canadian manufacturing and sales facilities,

as well as sales outlets abroad, its present position and prospects may be gauged by those of the United States. Experienced in catering to the national

appetite, it combines the advantages of a stable demand for its established products, with the potentialities of the quick-freezing process.

Sears, Roebuck & Co.

Dividend Rate
\$2.50

Recent Price
21

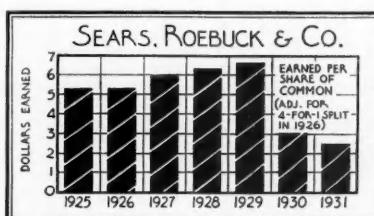
Current Yield
11.9%

SEARNS, Roebuck & Co. is one of the conspicuous examples of what can be accomplished by resourceful management in meeting the business inroads resulting from rapidly changing conditions. Incorporated in 1895, it expanded its catalogue business year by year—interrupted by occasional periods of depression—up to a few years ago, when it became evident that the drift of rural population to urban centers, and the spread of automobile ownership throughout the agricultural community, threatened to divert a considerable volume of its former trade to the town and city retail stores. More and more of its old customers, the farmers' families, were moving to the city, and many of those who remained on the soil were motoring to town for their purchases instead of ordering from the big catalogue which had for years been treasured next to the family Bible.

Something had to be done—and hurriedly—to stem the threatened loss of sales, and the obvious remedy was to offer merchandise to farmers in the new way for which they were showing preference, by opening retail stores in the urban centres. It was a strange venture and of necessity involved a certain amount of experimenting as to important questions of policy. At first, the stores were located in the outskirts of towns where they would be most accessible to the farmer's automobile, with ample parking spaces and filling stations, and tempting stocks of tires and accessories—the entire chain of stores being managed from central executive headquarters at Chicago.

Since its inception in 1927, however, Sears, Roebuck's plan of retail distribution has undergone rapid evolution. The new class A stores, which carry a complete line of merchandise, are being located nearer to the shopping districts in the larger cities and are subdivided into a number of specialty shops, each under its own local manager; and there is a strong tendency to segregate the company's store operations from its mail order activities, so that each division may stand upon its own feet. In other words, the effort now is to decentralize the management of retail stores.

The retail store idea is being pushed



with such vigor that within a few years this division promises to overshadow the mail order activities. It has, in the main, proved a great success. At present the company operates nearly 50

large class A department stores, and about 330 of the smaller class B and class C stores. Gross sales of retail stores in 1931 for the first time exceeded those of the mail order division; showing an actual increase of about five millions over 1930, against a drop of 48 millions in the catalogue business; and it is of startling significance that, while mail order sales fell from 293 millions in 1927 to about 170 millions in 1931, the business done by retail outlets rose in the meantime from nothing to about 175 millions. Just what proportion of

(Please turn to page 823)

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

Div. Rate per Share	Earned \$ per Share			Redeem- able	Recent Price	Yield %
	1928	1929	1930			
Norfolk & Western	4 (N)	135.73	182.20	138.50	No 73	5.5
Union Pacific	4 (N)	46.32	49.48	41.30	No 60	6.7
Atchison, Tope. & S. Fe.	5 (N)	40.21	49.18	30.08	No 66	7.6

Public Utilities

Pacific Gas & Elec. 1st	1 1/2 (C)	4.24	4.57	5.25	No 25	6.0
So. California Edison "B"	1 1/2 (O)	3.28	3.61	3.63	28 1/4 24	6.3
Public Service of New Jersey	8 (C)	\$20.92	\$24.44	\$22.10	No 128	6.3
New York Steam Corp.	7 (C)	9.75	10.21	16.95	115 102	6.9
New York Steam Corp.	6 (C)	9.75	10.21	16.95	105 85	7.1
North American Co.	3 (C)	40.22	47.48	47.51	55 41	7.3
Amer. Lt. & Traction	1 1/2 (C)	17.20	21.38	20.71	No 20	7.5
Buffalo, Niagara & Eastern Fr.	1.6 (C)	4.52	5.19	5.25	26 1/4 21	7.6
North Amer. Edison	6 (C)	53.15	58.98	49.65	105 78	7.7
Philadelphia Co.	3 (C)	20.68	27.58	28.27	No 33	9.1
Columbia Gas & Electric "A"	6 (C)	30.78	32.95	26.86	110 63	9.5
American Water Works & El.	6 (C)	31.05	39.11	44.22	110 63	9.5
United Corp.	3 (C)	...	4.66	6.46	55 30	10.0

Industrials

Procter & Gamble (2nd)	5 (C)	185.89	151.75	178.16	115	94	5.3
du Pont (E. I.) de Nemours deb.	6 (C)	69.06	75.54	55.22	125	101	5.9
Stand. Brands, Inc. Cum. A.	7 (C)	123.40	129.41	111.03	120	118	5.9
Diamond Match	1.5 (C)	...	...	...	No 24	6.2
Colgate-Palm-Peet	6 (C)	43.39	62.24	49.51	102 1/2 90	6.7	
Allied Chem. & Dye	7 (C)	68.63	76.88	63.90	120 113	6.8	
General Mills	6 (C)	18.70	18.86	20.03	115 87	6.9	
Commerce. Investm. Trust 1st	6 1/2 (C)	45.50	51.92	90.87	110 94	6.9	
Mathieson Alkali Works	7 (C)	84.50	98.91	84.68	No 100	7.0	
Hershey Conv.	15 (C)	16.25	21.36	24.24	No 70	7.1	
General Cigar	7 (C)	62.81	68.92	64.03	No 89	7.9	
Lorillard (P.) Co.	7 (C)	16.07	11.82	31.96	No 88	7.9	
International Nickel	7 (C)	139.12	80.45	40.26	120 (a) 84	8.3	
Curtis Publishing	7 (C)	21.48	23.93	21.25	120 71	9.9	

C—Cumulative. N—Non-cumulative. \$ Earned on all pfd. stocks. † Regular rate, \$4.
(a) After Feb. 1, 1934. ‡ On combined preferred.

A Soft Drink That Has Resisted Hard Times

Public Paid \$150,000,000 Last Year for the Beverage Whose Popularity Appears Unaffected by Business Conditions—Company Merely Manufactures and Sells Syrup While Independent Concerns Distribute the Prepared Thirst Quencher.

By HENRY RICHMOND, JR.

BY what magic does Coca-Cola make its universal appeal? There surely must be something, for the demand grows and grows, and rare indeed is the year which fails to surpass its predecessor regardless of the course of general business or the condition of individual pocketbooks.

Yet, intensive research reveals no hidden mystery. If there were any deep, dark secret, it surely must have been brought to light prior to the formation of the present company in 1919 when the Government launched an attack, contending that Coca-Cola contained harmful drugs. About the only thing it succeeded in proving, however, was that Coca-Cola contained caffeine, and this the company countered by showing that coffee did also—three or four times as much. When the smoke of battle died away in the Supreme Court it was found that nothing had been accomplished beyond a material elucidation of our copyright laws and a great beverage was free to resume the even tenor of its way.

Of peculiar flavor and mildly stimulative effect, Coca-Cola's success has been phenomenal. Nothing more than last year's sales of nearly 27,000,000 gallons of concentrated syrup at well over a dollar a gallon is needed to prove it. Since there are not far from 100 drinks to the gallon of syrup, whether dispensed at soda fountain or sold in the bottle, this means over 2,600 million individual drinks; at five cents a drink, the public's Coca-Cola bill is around \$150,000,000 annually.

Not of course that the Coca-Cola Co. itself obtains the whole of this sum, for it is primarily a wholesaler. The buyers of Coca-Cola syrup fall into two classes, jobbers and bottlers, and they divide by far the greater part of the factory output between them. The jobbers sell to soda fountains, while the bottlers bottle as might be expected of them.

These bottlers, numbering some 1250, present not the least curious aspect of the Coca-Cola business. They are nearly all independent companies. They have acquired perpetual fran-

Coca-Cola Co., and have vended or surveyed the product in their own districts.

In addition to the outlets provided by the jobbers and bottlers, the company does a little bottling on its own, having repurchased the franchises for certain territories. It is because of these added bottling profits that the company's margin of profit apparently has been increasing. Yet other revenue is derived from the licensing of plants in foreign countries, from a straight export business, and finally from wholly-owned subsidiaries.

Incidentally, the business done by subsidiaries is increasing even more impressively than that of the consolidated whole. Although the total number of gallons sold last year was somewhat smaller than the number sold in 1930, subsidiary sales were again higher than ever. From 9% of all sales yielding 2% of all profit in 1926, subsidiaries now account for 19% of the sales and 17% of the profit.

While the summer months in this country are still the most profitable for Coca-Cola, its introduction to countries having the seasons reversed is tending to remove the seasonal element from the company's business. The profit of the two summer quarters is now only some 50% greater than that of the two winter quarters. Ten years or so ago, the summer was more than twice as profitable as the winter.

Another notable cause of Coca-Cola's growth towards seasonal stability is to be found in the changing regard of the public towards it. There

Highlights of the Coca-Cola Co.

A market absorbing 9.5 million coca-cola drinks daily.

Dividends paid on the common every year since formation in 1919.

Record per-share earnings in the depression year 1931.

No funded debt.

Working capital in excess of \$16,000,000.

Wider margin of profit from declining sugar prices.

No longer dependent upon warm weather.

chises for their particular districts—all Coca-Cola franchises are perpetual—and have set up their own plants with their own money, bought their own bottles, have shot their own charged water into the syrup provided by the

is a wide gulf between Coca-Cola and the ordinary hot-weather drink. Coca-Cola is a widespread habit regardless of the outside temperature. Pay a visit to one of Schrafft's stores in New York in the early morning and note the number of people breakfasting on Coca-Cola and rolls or even Coca-Cola alone.

Such a condition, however, has not come about of itself entirely. The company is a big advertiser—about \$5,000,000 a year big. In addition, there are the advertising expenditures of bottlers amounting to possibly twice as much again. Advertising efforts are built up around the idea that everyone, no matter what he happens to be doing, should pause every now and then to refresh himself. The illustrations depict housewives—always attractive ones—resting for a moment in the middle of the morning's chores for a sandwich and a glass of Coca-Cola; they show Coca-Cola as a refreshment between dances; in addition to the obvious pictures of summer appeal.

It must also be remembered in regard to Coca-Cola's advertising that Coca-Cola is Coca-Cola and that not the least part of the company's success can be attributed to the fact that it does not have to waste advertising ammunition proving that its Coca-Cola is better than some other variety of Coca-Cola. This, for example, is in marked contrast to the cigarette companies which are continually obliged to show that a particular smoke is better than some other smoke.

The importance of the successful conveyance that Coca-Cola is an all-the-year-round beverage, however, cannot be overstressed. For instance, everywhere, but in the South particularly, it seems to be taking the place of coffee—or other liquid—as the something over which men must sit to talk.

There is, however, little enough evidence to show that Coca-Cola's popularity can be attributed to the national prohibition law. Even prior to its enactment the beverage was well on its way towards becoming an institution in this country. In 1918, the sales of Coca-Cola slumped somewhat only to stage a tremendous rally in the following year. Was this the effect of prohibition? In part it may have been. At any rate, after a decline in sympathy with the general depression of 1920 and 1921, sales made new high records in every year except last year,

and the decline in the last twelve months' period was only moderate.

On the other hand, there is the strong argument that prohibition is not responsible for Coca-Cola's remarkable growth inasmuch as the drink has gone ahead by leaps and bounds throughout the territories of our alcoholic neighbors, Canada and Cuba. It has also done very well in other non-prohibition countries more recently penetrated. In fact, it has been demonstrated that Coca-Cola can be sold anywhere in the face of competition, hard or soft.

This is indicated by the growth in gallonage sales. The company's earning record proves it. With minor irregularities, net income rose from slightly more than \$2,000,000 in 1920 to more than

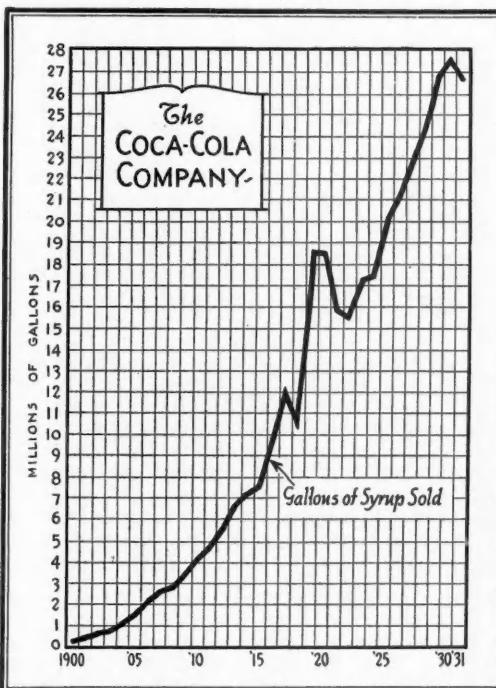
cents a gallon, while that taken by the bottlers will pay 5 cents a gallon. Assuming that the whole tax is paid by the Coca-Cola Co. itself—which, however, is by no means certain to be the case, for in 1921 with a similar tax the company absorbed part and bottlers and jobbers the balance—it will make a difference of some \$1,300,000 a year to the company, or \$1.30 a share on the outstanding common stock. As the company earned \$11.82 a common share last year and \$11.15 in the year before, the proposed taxation would reduce per share earnings at the worst by less than 12% and should not endanger the regular \$7 dividend nor the usual extras totalling \$1 a share annually. Indeed, it is even possible that the tax be offset by the benefit derived from the exceedingly low price for sugar, of which some 150,000,000 pounds is used every year. The price of Coca-Cola to a buyer is fixed, except in the event that the price of sugar should rise above a certain figure—said to be 7 cents a pound—in which case the buyer absorbs the whole of the extra expense. So long as the price of sugar is under 7 cents a pound and moves lower, the Coca-Cola Co. obtains the full benefit.

Turning to the company's balance sheet, it would appear that for an enterprise selling in the open market for some \$150,000,000, the totals are small. Among the assets, land, buildings and equipment is carried at less than \$7,000,000, which is in marked contrast to an annual sales volume of more than \$40,000,000. True, more than \$17,000,000 in current assets is appreciable, but even when added to other items the total still falls far short of \$150,000,000.

The earning power of good-will provides the answer to the enigma. The man who buys Coca-Cola common stock buys little enough of tangibles. He buys a name and the earnings which accrue to that name. But that the name is valuable, and the earnings adequate, cannot be doubted in view of the fact that Coca-Cola grew from nothing to something for which \$25,000,000 was paid. And then when the present company was formed paid dividends on its common stock in every year of its existence.

Moreover, an owner of Coca-Cola common possesses an advantage over stockholders in most companies having large tangible assets, for he does not

(Please turn to page 820)



\$14,000,000 in 1931. Per share earnings rose correspondingly, resulting in a 100% stock dividend in 1927 and a share-for-share distribution of Class "A" stock in 1929. Yet, at the present time almost as much is being paid on the common as was ever paid on the old stock.

Nevertheless, there is no picture so perfect that no flaw can be found. And so with the Coca-Cola Co. Only the other day Representative Schafer of Wisconsin tried to impose a tax of 30% on the company's product. He was overruled, but Coca-Cola as a soft drink is still to suffer at the hands of the Government if present plans actually become law. Coca-Cola syrup sold at soda-fountains will be taxed 9



Market Indicators

For Profit

A High Grade Bond

Created with the consent of Congress and by a compact between the states of New York and New Jersey, the Port of New York Authority is engaged in developing New York's harbor. At the present time it owns and operates four bridges including the George Washington Bridge over the Hudson River. It also controls and operates the Holland Tunnel, a vehicular twin tunnel connecting Jersey City with downtown New York and for the use of which tolls are charged. Among the direct and general obligations of the Port of New York Authority is a \$50,000,000 issue of New York-New Jersey Interstate Tunnel bonds. These bonds bear a 4 1/4% coupon and become due on each March 1 from 1933 in gradually increasing amounts until they have all been redeemed by 1960. They are secured by a first lien on the revenues and tolls of the Holland Tunnel, further secured by the general reserve fund of the Port Authority. While other tunnels may be built—preliminary work on one at mid-town New York has been done already—the two states have agreed that no construction of this kind can be carried

out except through the Port Authority. Traffic through the Holland Tunnel has steadily increased and in consequence the revenues out of which bond interest must be met are also steadily growing. The bonds are legal for savings banks in both New York and New Jersey. They are free from taxes in both states and are also exempt from Federal Income Tax. Currently they can be bought to yield slightly more than 4.6% in the over-the-counter market. The return may not seem particularly liberal, but on the other hand the security is an exceptionally high grade, tax free obligation.

* * *

Movie News

There have been several developments recently of interest to holders of motion picture securities. The most important of these probably was the District Court decision holding that the Paramount-Publix Corp. had not acted in restraint of trade in using the block-booking method of leasing films. The Federal Trade Commission—which incidentally proposes to appeal the case—contended that exhibitors were forced to take bad pictures with good

and that free competition did not exist. The movie world had been awaiting the outcome of the case anxiously, for producer and distributors believe that only by the block-booking system can the industry continue as "big business."

The second occurrence of interest happened in England where the attendance in motion picture houses dropped some 165,000,000 for the first three months' operation of the new entertainment tax. As we ourselves are proposing to levy a tax of 10% on admissions costing more than 45 cents, it seems not unlikely that England's experience will be duplicated here in greater or less degree to the further detriment of our "picture" securities.

Finally, there are other reports from the movie front which make poor reading. For the past year or so attendance in this country has averaged between 40,000,000 and 50,000,000 weekly. This means between \$10,000,000 and \$12,000,000 in weekly receipts. Turning to the recent articles on the industry, in THE MAGAZINE OF WALL STREET, by C. F. Morgan, it is found that 20% of the receipts is allowable for production, or around \$100,000,000 yearly. Of this 40% is allow-

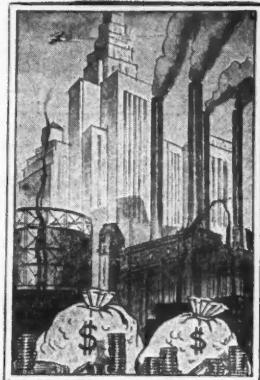
One-Line Analysis of Common Stocks in this Issue from The

Information as of

Company	Ticker Symb.	List-ed	Rat-ing	Business	Funded Debt	Shares Outstanding	Par	DIVIDENDS		
								Rate	Payable	Record Date
1 Allis-Chalmers	AH	N	C2	Heavy machinery & elec. equip.	15,000,000	1,360,600	No	0.50	q-2/15	1/23
2 American Snuff	SNU	N	B1	Snuff mfg. & selling	None	440,000	25	3.00	q-4/1	3/11
3 Childs Co.	CDI	N	C2	Restaurant chain	10,684,288	362,370	No	9/10/31	div.	passed
4 Chi. R. I. & Pac.	RI	N	D2	Northwestern carrier	321,981,335	743,597	100	9/30/31	div.	passed
5 Coca-Cola Co.	KO	N	A1	Soft drinks	None	1,000,000	No	7.00	q-4/1	3/12
6 Continental Can	CH	N	B1	Tin containers	None	1,732,545	No	2.50	q-2/5	2/1
7 First National Stores	FST	N	B2	Grocery chain stores	1,500,000	813,786	No	2.50	q-4/1	3/16
8 General Foods	GF	N	A1	Trade-marked foods	None	2,556,843	No	3.00	q-2/1	1/15
9 Gillette Safety Razor	GIL	N	C1	Safety razors & blades	20,000,000	1,998,768	No	Paid 0.25	3/31	3/1
10 Internat. Tel. & Tel.	IT	N	B1	Wire communications	136,583,746	6,580,599	No	4/15/32	div. paus ed	
11 Otis Elevator	OT	N	C1	Elevators	None	2,000,000	No	2.00	q-4/15	3/21
12 Reynolds Tob. 'B'	RJRB	N	B1	Tobacco products	None	9,000,000	\$10	3.00	q-5/2	4/8
13 Sears, Roebuck	S	N	C1	Mail order house	None	4,537,654	No	2.50	q-2/1	1/8
14 Willys-Overland	OV	N	C4	Automobiles	3,000,000	2,999,882	5			

—Non-voting stock.

*—Extras have been paid in addition to regular dividend rate.



and Income

able for negatives so that no more than \$40,000,000 annually can be spent by all producers if the business is to be run solvently. Despite efforts towards economy, more than this is still being spent, and it follows that even more drastic doses of unpleasant medicine must be taken if disaster is to be avoided.

* * *

The Atchison Dividend

While everybody knows that the railroads of the country have been harder hit perhaps than any other major activity, the recent reduction in the Atchison's dividend brings the unfortunate fact home with great emphasis. There are now only four large systems whose stocks are actively traded on the New York Stock Exchange distributing the same dividends as were distributed in the years of the late lamented prosperity, Chesapeake & Ohio, Delaware & Hudson, Norfolk & Western and Union Pacific. And in each of these cases the high yield afforded at current prices is in itself a warning that payments are not secure. The records possessed by such consistent dividend payers as New York

Central, Southern Pacific, Illinois Central, Chicago, North Western, Northern Pacific and the Baltimore & Ohio are all broken, if the technicality of "deferring" the disbursement be ignored. Now the Atchison seems well on the way to joining the great majority, for at the last meeting \$1 only was declared and a statement issued to the effect that the continuance of common dividends depends upon an improvement in earnings. And so does a dividend record extending as far back as 1901 commence to go by the board. The country's railroads badly need traffic, and regardless of anti-truck legislation or anything else, until they obtain it, the prospects for material improvement are indeed slim.

* * *

Savings

Depression the world over has always been the signal for a concerted rush to find a safe place in which to keep money. Some find it in banks, others in physical property, while yet others favor the old teapot on the pantry shelf. There are a number of ways by which the vigor of the search over the past few years can be judged.

Deposits in the country's mutual savings banks increased nearly \$600,000,000 in 1930, while last year the gain was but slightly less. In the past three years deposits in the Postal Savings have grown more than \$500,000,000. On top of this it has been estimated that the country has lately hoarded between \$1,000,000,000 and \$2,000,000,000 in currency.

Money put into a mutual savings bank will be for the most part employed in something directly productive. Should the Postal Savings be entrusted with it, the money first moves to a bank which has been designated a Government depository and as specified bonds must be put up as collateral, it may be said to find its way indirectly into fixed income bearing obligations, usually governments. As the Government is engaged in doing so many things, by no stretch of the imagination productive, there is much less to be said for this method with regard to the good of the country as a whole. On the other hand, should the money be placed in the old teapot no one benefits. Indeed, active harm is done. Hence, the vigorous campaign with baby-bonds as ammunition.

Magazine of Wall Street's Adjustable Stock Rating Booklet

April 9, 1932

EARNINGS				PRICE RANGE				Recent Split-up or Stk. Div.	Complete Analysis See Page	Comment
Annual	Interim	1930	1931	1931	1932	High	Low			
1929	1930	1930	1931	High	Low	High	Low	4:1	9/29	810
3.78	2.86	2.86de	0.96de	42 $\frac{3}{4}$	10 $\frac{1}{4}$	13 $\frac{3}{4}$	9 $\frac{1}{4}$	4:1	9/29	799
4.25	3.76	3.76de	3.81de	42 $\frac{1}{4}$	28	34 $\frac{1}{2}$	30 $\frac{1}{4}$	4:1	7/29	817
2.56	1.61	1.61de	d0.06de	33 $\frac{1}{2}$	5 $\frac{1}{4}$	7 $\frac{1}{2}$	3	.....	794	100% 1/29
14.04	5.56	5.56de	d5.32de	65 $\frac{1}{2}$	7 $\frac{1}{2}$	16 $\frac{1}{2}$	5 $\frac{1}{4}$	.....	802	Outlook for upward earnings continuance good
10.25	11.15	11.15de	11.82de	170	97 $\frac{1}{2}$	120	97 $\frac{1}{2}$	.....	799	Strong company but operations somewhat off
5.02	5.04	5.04de	3.27de	62 $\frac{1}{4}$	30 $\frac{1}{4}$	41	31 $\frac{1}{4}$	.....	818	Volume sales high and net improving steadily
5.30mr	4.99mr	3.74de9	4.13de9	63	41	53	41 $\frac{1}{2}$	.....	800	Strong financially and net well maintained
3.68	3.63	3.63de	3.44de	56	28 $\frac{1}{4}$	40 $\frac{1}{4}$	31 $\frac{1}{4}$	5% 12/29	811	Blade sales reported holding up well 1st quar.
4.42	3.26	3.26de	1.24de	38 $\frac{1}{4}$	9 $\frac{1}{4}$	24 $\frac{1}{2}$	10 $\frac{1}{2}$	.....	817	Financially sound but net income trend down
3.03	2.07	2.07de	1.20de	38 $\frac{1}{4}$	7 $\frac{1}{4}$	12 $\frac{1}{4}$	5	3:1	5/29	811
3.99	3.44	3.44de	2.01de	58 $\frac{1}{2}$	22 $\frac{1}{2}$	16 $\frac{1}{4}$	4:1	2/30	811	Strong company but dollar sales halved
3.22	3.43	3.43de	3.64de	54 $\frac{1}{2}$	32 $\frac{1}{2}$	40 $\frac{1}{4}$	32 $\frac{1}{2}$	.....	811	Improving tobacco sales raise earnings
6.62	3.01	3.01de	2.47de	63 $\frac{1}{2}$	30 $\frac{1}{4}$	37 $\frac{1}{4}$	19 $\frac{1}{2}$	Note A	801	Marked decline in first quarter sales
22.01	d2.85	.....	.....	8	1 $\frac{1}{4}$	3	1 $\frac{1}{4}$	5% 2/29	810	Operating at a deficit during first quarter

A—Paid 4% in 1928, 1929 and 1930, and 2% in 1931. de9—9 mos. ended Dec. 31. de—Year ended Dec. 31. ja—Year ended Jan. 31. mr—Year ended Mar. 31. d—Deficit.

The Readers' Forum belongs to the readers of THE MAGAZINE OF WALL STREET and is intended exclusively to serve them in the discussion of problems of general investment interest. This department welcomes and invites contributions from its readers without imposing rigid restrictions as to their choice of subject matter. Stories of personal experience with, or personal opinion upon, investment problems, are particularly appropriate since they often are of interest to many. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.

Reduce Governmental Spending

The Taxpayer Should Not Be the Only Sufferer—Farm Diversification—A Novel Plan to Spread the Work

Editor, READERS' FORUM:

In your issue of March 5th under the heading of "Broad Tax Base" you speak of the increase, as well as the reduction, of taxes.

As you indicate, "The better course, if feasible, would be to cut expenditures" and it seems to me that most writers dealing with this question have failed sufficiently to stress the psychological effect on the taxpayer that this cut in governmental expenditures would have.

It has been said that the sum total of these economies would not be large, but surely it would not be inconsiderable if the hundreds of bureaus, commissions, etc., were either merged or eliminated as necessity demanded and officials and employees,—Federal, state and city—from the President down to the local judge, would accept the same reduction in remuneration for services that most other citizens have been compelled to accept. If these thousands of public officials would accept these reductions and governmental expenses were held within reason, our taxing bodies could with good grace ask the millions of other citizens to help make up deficits.—DAVID M. DAVIDSON.

Farm Prosperity Needed

Editor, READERS' FORUM:

I read with interest Mr. C. S. Burton's piece in the March 5th issue of

THE MAGAZINE OF WALL STREET. Some business people have known without being told by a statesman that you can't make any money out of a farmer who is broke. I can cite two business men who tried to make the farmer more prosperous so they in turn would profit. James J. Hill loaned good bulls to farmers along the G. N. R. R. Christ Flick of Mentone, Ind., sold meat, milk and ice in his small town and later branched out to another town and peddled meat to the farmers in hot weather; he bought stock from the farmers and slaughtered a part of his meat. Later he went into fertilizer and would send soil for analysis to agriculture universities. The farmers benefited by Flick's advice and Flick made a profit.

I was raised on a small farm in Wisconsin and in 1902 I was in North Dakota and saw land along the main line of Northern Pacific Ry., east of Bismarck, that was selling for \$500 for 160 acres; this same land sold in 1910 at \$40 per acre, that was more than it was worth then or any time since. At that time North Dakota was a one crop proposition; there were lean and fat seasons alternating. I first visited the corn belt of Illinois in the vicinity of Decatur in 1915. I was disappointed because there were no yards full of fat cattle and hogs and the majority of farm building did not come up to my expectation although the corn belt of Illinois and Indiana has the best land

I ever saw (except some valley). They have been raising corn and hauling it to the market since Lincoln was a judge. The Wisconsin farmer with his dairy has done well but the low prices and high taxes of late have pulled him down financially.

Paint on farm buildings is evidence of prosperity and Chippewa Falls to Rice Lake, Wis., has the best painted buildings I have seen in a few years. It is the farmers and method and not the land. In this section are Germans and Norwegians. Dairying is the principal business but that section raises some tobacco, and I expect the tobacco grower has prospered with tobacco manufacturers in the last decade.

This method used in Colquitt County, Ga., sounds right and should be the correct route to solve surpluses and shortages.

High taxes is the real evil of this date. Some rave about timber conservation and yet they tax growing timber instead of exempting it and taxing when cut, the same as the iron ore tax in Minnesota.—R. P. COOK, Park Ridge, Ill.

A Plan for Unemployment

Editor, READERS' FORUM:

In a recent article in your Magazine suggesting a solution of unemployment by reducing the work week to 35 hours, it was said that the cost to industry

would be the same. I think that certain costs will be the same whether the industry runs to full capacity or is closed down entirely.

To effect such a condition and make it an inducement to industry there should be a graduated scale of wages. For example, start the week on 36 hours at a certain rate per hour. Let the employee have an increase of 5% for the next 4 hours, 10% for the second 4 hours, 15% for the third 4 hours and pay and one-half for time over 48 hours. Now if the railroads were given such an opportunity, all their help could, and undoubtedly would be employed and the industry would be going along in much better condition. Some industries have cut wages about 50% and employ part of their help full time while the rest walk the streets. It is hard to believe that industry can get anywhere under the conditions that now prevail. With a rubberized work week it would be a great inducement for industry to retain all its help and thus automatically correct the unemployment situation and bring back prosperity.—R. BENNETT, Jamestown, N. Y.

Nevertheless, We Will Recover

Editor, READERS' FORUM:

I am unable to see where the demand for goods and services for any of our corporations and business firms is likely to increase, except "eventually" and the present older generation may not survive as long as that.

It seems that our prosperity was built on extravagant use of credits and loans, many of which can never be repaid.

Perhaps you have a different conception.—ARTHUR G. WELLS, Wellsville, N. Y.

Earnings Belong to Stockholders

Editor, READERS' FORUM:

Mr. Charles Benedict's, "What Is Causing the Fear Psychology," in your issue of February 20th, is one of numberless articles and editorials on the same subject in your and other periodicals. All of them studiously ignore an important factor in the situation. It would be a reflection on the intelligence of the writers of these articles and editorials to presume that they are not aware of this factor; therefore its conspicuous absence must be due to some motive or motives less creditable than lack of intelligence.

The factor referred to is: That the stockholders of an American corporation will suffer if the corporation suffers, but will not necessarily profit if

the corporation profits, because the directors of the corporation are not bound to apportion any of the earnings to the payment of dividends.

The published accounts of the affairs of a certain steel company are to the effect that during a period of several years the profits of that company were some 70 millions of dollars, of which the president and a few other officials received 30 millions, and the stockholders received 40 millions.

An Associated Press dispatch of November 19th, last, said that the president of a certain motion picture company received a salary of \$2,500 a week and a bonus of \$274,404 in 1930, and that the treasurer received a salary of \$2,000 a week and a bonus of \$164,402 in the same year.

Rumors are rife as to similar practices in other corporations.

What boots it to the ordinary stockholder how much profit his corporation makes if any amount thereof can be diverted into the pockets of his trustees?

Consider the testimony of sundry prominent New York bankers before the Congressional investigating committees recently with reference to the dealings in foreign securities in this country. Consider the condition of the Joint Stock Land Bank bonds, widely advertised a few years ago as government obligations.

It is not to be wondered at that the intelligent investor has lost faith in both political and financial leaders. His fear psychology is common sense; he knows when he has been swindled.—H. C. CLARK.

Protecting Our Gold Stock

Editor, READERS' FORUM:

In his address in the United States Senate, February 17th, on the Credit Expansion bill, Senator Carter Glass is reported to have used the following language:

"The real purpose of this section of the bill is to put foreign nations on notice that if they, in conjunction with their business men, want to raid the gold supply over here, this is a method of replenishing it."

I have seen no statement outlining the exact methods to be used in "replenishing" our stock of gold and am unable to understand how such a feat is to be accomplished by legislation, as long as we maintain the gold standard.

Unfortunately, gold is not a commodity which can be produced in unlimited quantities to meet a heavy demand, like wheat, cotton, structural steel and radios. Gold must be dug out of the ground. If nature did not

place it there first, we never could find it. After nature has done her part, it is no easy task to locate the exact spot where the deposit may be found; but it must be located before the gold can be extracted, smelted and refined for the use of mankind.

Would be glad to have the opinion of THE MAGAZINE OF WALL STREET on how our stock of gold can be protected, if at all, by legislation. France especially seems to have designs upon it.—A. R. JOHNSON.

Your confusion as to Senator Glass's statement about "replenishing" our stock of gold is understandable, for the word is misleading and does not accurately describe the functioning of the Federal Reserve System under the enlarged powers granted to it. The change will not increase the actual stock of gold in this country, but will permit a far more effective use of it. Previously, any shrinkage in the supply of eligible commercial paper—and there is bound to be such a shrinkage in time of business stagnation—made it necessary to increase the percentage of gold coverage of Federal Reserve notes, thus reducing the amount of free gold not needed for currency coverage. By substituting Government bonds as note collateral the Federal Reserve can, if it proves necessary, fill the gap caused by an insufficient volume of commercial paper, making us less rigidly dependent upon gold.

What Determines Value?

Editor, READERS' FORUM:

I have just read Mr. Zimmermann's article entitled, "Value Versus Price." As the author states, "A nest of hornets of argument, refutation and denial," may very likely be stirred up by the statement that, "Value is not established by price."

I do not happen to be one of those who may wish to argue in refutation of the statement as I agree with it, however, I believe a distinction should be made between a forced or sacrifice sale and a sale made in a market that is not affected by so-called "dumping."

In a forced or sacrifice sale, it is quite evident that, "Value is not established by Price." This is true not only in the securities market but in the case of real estate. If a dwelling or other real estate is sold at auction, it is not expected that full value will be realized. A reasonable period of time, varying according to circumstances, seems essential for disposing of real estate and it would appear equally reasonable to expect the same of bonds, especially if

(Please turn to page 818)



Tangible Business Improvement Difficult to Find

Copper

Surplus Metal Depresses Prices

Production far beyond the capacity of both domestic and export absorptive power, even with a declining price trend, has resulted in steadily increasing stocks of copper. For six months the association of major producers has refused to reveal supplies on hand, but estimates by the better informed members of the trade place the stocks added since suspension of data releases at 175,000 tons. This would make the total copper stocks in the hands of producers in North America about 825,000 tons, a quantity enormously greater than the present world market can take even at the low prices ruling.

Demand for the metal has fallen
(Please turn to page 827)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1932		
	High	Low	Last*
Steel (1)	\$0.01 1/4	\$0.01 1/4	\$0.01%
Steel (2)	0.01%	0.01%	0.01%
Pig Iron (3)	15.50	15.00	15.25
Copper (4)	0.07 1/4	0.05 1/4	0.05 1/4
Lead (5)	0.03 3/4	0.03	0.03
Petroleum (6)	84	65	54
Coal (7)	1.50	1.20	1.25
Cotton (8)	0.07 1/4	0.06 1/4	0.06 1/4
Wheat (9)	86	44 3/4	61
Corn (10)	38 1/4	30	32
Hogs (11)	16.50	7.50	12.50
Steers (12)	14.00	9.00	12.00
Coffee (13)	0.09%	0.08 3/4	0.09%
Rubber (14)	0.04 1/2	0.03	0.03
Wool (15)	60	49	50
Sugar (16)	0.03 1/2	0.02 1/2	0.02 1/2
Paper (17)	55.00	53.00	53.00
Lumber (18)	17.67	13.38	13.44

* April 11, 1932.

(1) Sheets, Pittsburgh, cents per lb. (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, \$ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) \$ per lb. (6) Kan., Okla., 39-39.9 deg. \$ per bbl. (7) Pits., steam mine run, \$ per ton. (8) Middling (Galv.), cents per lb. (9) No. 2, Hard, Winter (Kan. City), \$ per bu. (10) No. 3 Yellow (Chic.), \$ per bu. (11) Fresh loins, 10-12 lb. (N. Y.) \$ per 100 lb. (12) 550-700 lb. (N. Y.) \$ per lb. (13) Santos, No. 4 (N. Y.), c. per lb. (14) Smoked sheets (N. Y.), cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban, raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), \$ per ton. (18) Yellow pine boards, f.o.b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Ingot production remains unchanged at only 22% of capacity. There has been no gain in new orders recently, automobile and rail buying having been deferred. Pig iron prices, after showing stability for some months, have weakened. Larger deficits have been incurred as a result of poor demand in the first quarter, and, judging by present indications, only slight improvement may be registered in the second quarter.

PETROLEUM—Only slight increases in crude output have been seen during early April. Production has been far below the quantity usually absorbed by refineries at this period of the year and the better statistical position has led to firmer crude prices. Also, gasoline prices have advanced to around 3.75 cents a gallon at refineries in Oklahoma, a new high for the year. The oil industry appears to be working gradually into a sounder position.

COPPER—Sales of distress stocks of copper made recently at New York brought the low price of 5 1/8 cents a pound delivered, although quotations have been ruling nominally at 5 3/4 cents a pound for domestic metal and 6 cents for foreign c.i.f. sales. Actual consumption and exports are very low and surplus stocks continue to pile up, despite recent attempts towards world output restriction.

ZINC—Stocks of slab zinc at smelters at the end of March were 129,451 tons, compared with 141,493 tons in March, 1931. Production last March was 22,493 tons, far less than the output of 32,328 tons in March, 1931. Prices are very low, however, present quotations for the metal at East St. Louis being only 2.80 cents a pound. The better regulation of the industry to the restricted demand is slowly improving the situation although producer's earnings are low.

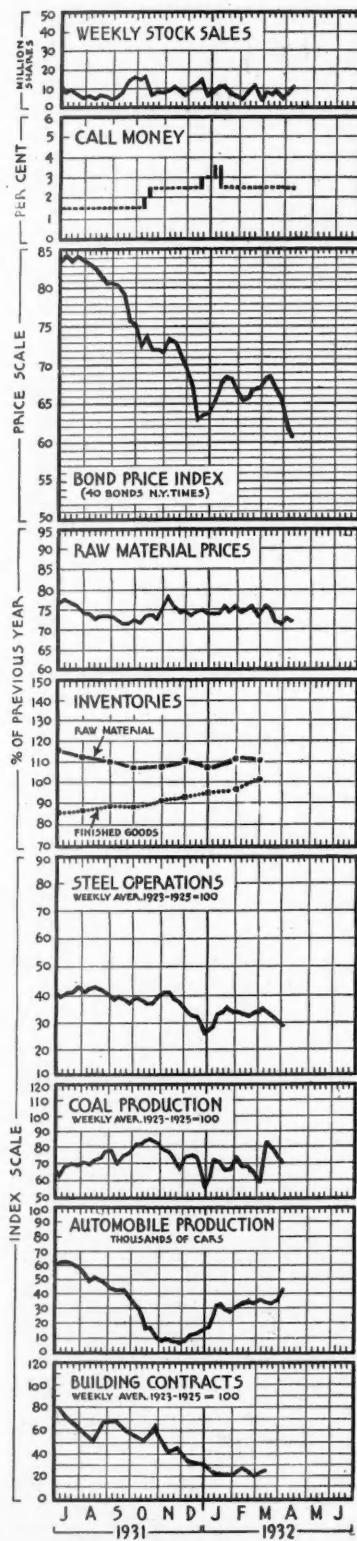
AGRICULTURE—Prices of agricultural commodities, as measured by the Department of Labor agricultural price index, have dropped to even lower levels than commodities as a whole. The present planting indications of the large staple grain crops show that an increase is to be made, although cotton plantings will be smaller this season. On the theory that large crops bring smaller profits than small crops, farm income may drop in the Middle West this year and at the same time be augmented in the South.

RETAIL TRADE—Since Easter, retail sales have been far from satisfactory, but as inventories have been kept exceedingly low the adverse consequences to the retailers themselves have been minimized. The decline in dollar sales by the large mail order houses exceeded 20% in the first quarter and their volume sales also turned sharply downwards.

TEXTILES—Raw cotton consumption by cotton textile mills shows a substantial increase over a year ago. Profits, however, are at the lowest levels in a long time, a fair margin between gross and net not having been seen for some years. Woolen mills also have shown far greater volume output this spring but in this division, too, profits especially in the clothing fabric and carpeting divisions, have been very small.

The Magazine of Wall Street's Indicators

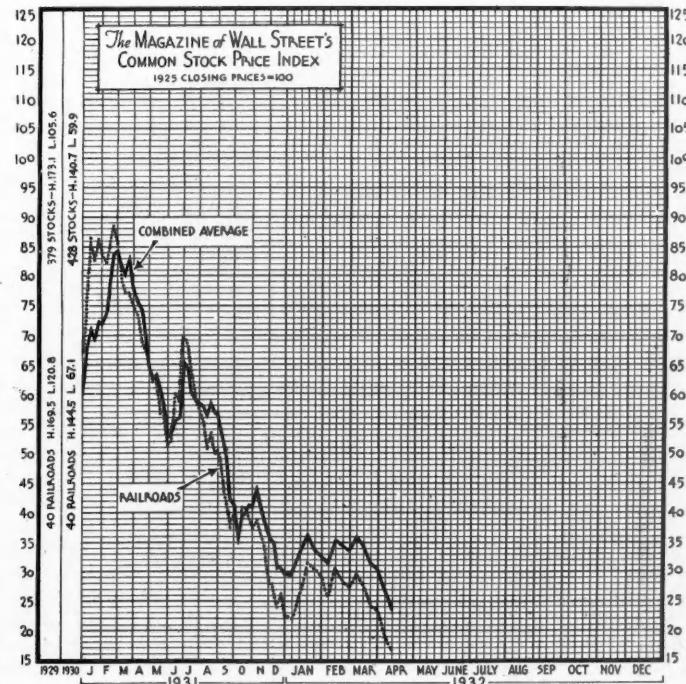
Business Indexes



Common Stock Price Index

1931 Indexes				No. of Issues	Group	Recent Indexes				
High	Low	Close	Avg.			High	Low	Mar. 26	Apr. 2	Apr. 9
84.4	29.2	30.0	345		COMBINED AVERAGE	36.4	23.7	30.2	26.9	23.7*
142.4	38.0	34.8	4		Agricultural Implements	48.3	34.6	33.5	30.9	24.6*
121.2	19.7	21.2	7		Amusements	43.0	20.7	25.3	24.3	21.2
76.9	23.9	23.9	21		Automobile Accessories	27.8	16.0	22.0	19.1	16.0*
37.0	13.1	13.1	16		Automobiles	14.4	7.7	10.4	8.9	7.7*
74.2	22.3	31.7	4		Aviation (1927 Cl.—100)	34.6	22.4	27.3	24.4	22.4
35.4	8.3	9.7	3		Baking (1926 Cl.—100)	12.0	6.6	9.1	8.0	6.6*
212.8	112.5	112.5	2		Biscuit	129.9	100.7	113.5	109.3	100.7*
162.8	48.1	49.5	5		Business Machines	65.0	43.7	53.0	48.4	43.7*
185.8	96.5	98.3	2		Cans	119.0	88.9	102.8	99.6	88.9*
157.8	76.2	81.6	7		Chemicals & Dyes	98.3	73.0	78.3	73.0*	
71.8	20.8	21.4	3		Coal	26.7	20.1	24.1	20.4	20.1*
73.7	18.9	19.5	19		Construction & Bldg. Mat.	24.6	13.9	18.4	16.1	13.9*
92.4	30.1	30.2	11		Copper	36.7	19.5	25.8	21.2	19.5*
98.0	45.8	47.2	2		Dairy Products	57.8	44.5	51.5	49.6	44.5*
30.8	9.8	10.1	1		Department Stores	14.8	8.1	9.9	9.1	8.1*
120.4	52.0	53.1	2		Drug & Toilet Articles	65.4	45.4	56.9	53.0	45.4*
149.3	44.7	46.9	5		Electric Apparatus	55.1	37.7	45.3	41.3	37.7*
21.5	4.3	4.6	3		Fertilizers	5.5	2.9	4.4	3.8	2.9*
91.3	40.8	41.7	2		Finance Companies	58.7	39.0	45.0	42.0	39.9
80.1	43.7	45.3	7		Food Brands	50.4	37.8	46.3	42.2	37.8*
83.0	44.4	45.0	3		Food Stores	56.4	42.5	49.1	45.7	42.5*
51.7	21.7	21.8	3		Furniture & Floor Covering	38.3	21.0	28.4	27.4	26.9
45.5	16.6	17.0	5		Household Equipment	21.1	13.7	18.4	15.9	13.7*
89.5	17.1	19.1	10		Investment Trusts	26.4	14.2	18.3	17.4	14.2*
96.3	26.1	26.1	3		Mail Orders	27.4	13.6	17.7	15.4	13.6*
69.2	22.3	23.4	31		Petroleum & Natural Gas	29.2	22.9	26.7	25.3	22.9
68.8	12.7	13.0	4		Phones & Radio (1927—100)	17.5	9.7	13.2	11.2	9.7*
196.8	77.0	78.1	20		Public Utilities	87.6	53.6	74.8	63.8	53.6*
73.1	20.6	21.2	10		Railroad Equipment	36.9	16.0	21.2	17.8	16.0*
88.4	22.5	22.5	30		Railroads	31.3	16.7	23.1	19.1	16.7*
100.7	41.8	41.8	3		Restaurants	42.3	26.1	32.9	30.1	26.1*
35.0	8.8	8.8	3		Shipping	14.3	8.8	10.8	10.4	9.8
183.4	82.0	82.0	2		Soft Drinks (1926 Cl.—100)	89.2	67.1	86.9	74.4	67.1*
92.3	25.3	25.8	9		Steel & Iron	30.7	19.0	24.3	22.2	19.0*
18.9	7.3	7.3	5		Sugar	9.4	4.4	6.0	5.8	4.4*
218.0	84.2	89.5	2		Sulphur	101.7	71.9	90.4	83.3	71.9*
132.4	44.5	44.5	3		Telephone & Telegraph	54.4	35.5	42.0	39.0	35.5*
46.1	16.1	18.2	5		Textiles	24.6	16.6	19.8	18.5	16.6
15.8	4.4	4.9	5		Tires & Rubber	6.0	3.6	5.3	4.2	3.6*
78.6	47.0	48.3	5		Tobacco	68.6	48.3	56.6	54.6	51.8
86.1	26.1	26.1	4		Traction	57.0	25.5	52.8	39.8	36.5
82.0	44.5	44.9	2		Variety Stores	50.9	34.0	43.4	42.1	34.0*

* New low record since 1928.



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)



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ALLIS-CHALMERS MANUFACTURING CO.

In view of the existing low prices for Allis-Chalmers, I am considering the purchase of 100 shares for the pull. What is the outlook for this company? I shall appreciate your opinion of the stock at your earliest convenience.—R. E. M., Detroit, Mich.

Allis-Chalmers Manufacturing Co. suffered a drop of about 43% in dollar sales volume during the past year, while year-end inventory write-downs reduced full year profits to less than 35% of those reported for 1930. Net income for the 12 months ended December 31, 1931, amounted to \$1,256,431 as compared with \$3,604,609 registered in the preceding calendar year. Reduced to a per share basis on the common stock profits amounted to only 96 cents for 1931 in contrast with \$2.86 a year earlier. Despite the decline in earnings, however, a strong financial position was maintained during the year. As a matter of fact the balance sheet dated December 31, 1931, showed cash alone of \$4,027,596 an increase of 32.6% from that reported at the close of 1930. Cash and marketable securities at the year-end were substantially in excess of total current liabilities of \$4,308,965. Current ratio stood at 7.5 to 1 while a year ago the ratio was 6 to 1. Thus, it is understandable how the company was able to broaden its scope of operations in the face of declining earnings. In its present form, Allis-Chalmers represents a well rounded industrial organization in the strictest sense of the word. The company occupies a leading position in the agricultural implement field, is a

leader in the manufacture of tractors for road-building and industrial purposes and ranks as the third largest electrical equipment producer. Certainly, this bids fair for the long term prospects of the company. However, the company is engaged in fields that are slow to recover from a depression, with the result that earnings improvement is not in early prospect. As a matter of fact, should the downward course of earnings continue during early ensuing months, which is very likely, an omission of dividends will be necessary in order to conserve cash resources. While present prices of Allis-Chalmers common apparently discount this uncertainty, purchases of the stock should be deferred for the time being.

WILLYS-OVERLAND CO.

What are the prospects for Willys-Overland Co.? I have held the common stock for a good many years, and feel that I am in need of outside assistance in view of the recent developments. Your opinion will be appreciated.—S. N. Q., Toledo, Ohio.

Continuing the unfavorable course of earnings in evidence during the more recent past, operations of Willys-Overland Co. last year incurred a deficit of \$14,021,244 as compared with a loss of \$7,588,392 for 1930. In common with all automobile producers, this company suffered from the sharply curtailed buying power of the public, which was reflected in a rather precipitous drop in dollar sales volume, and the necessity of making substantial inventory write-downs at the year-end. Financial position of the

company at the close of last year was not very strong, current ratio equaling only 2.5 to 1, as compared with 3.5 to 1 a year earlier. Cash and certificates of deposits as of December 31, last, aggregated \$1,381,593 as compared with \$3,973,858 at the close of 1930. Willys-Overland concentrates its activities in the manufacture and sale of low and medium-priced passenger cars, and as such, is confronted with the intensified competition of the three leading automobile producers, namely, General Motors, Ford and Chrysler. In view of the reduced volume of business to be had during the current year, Willys-Overland will find itself hard pressed to keep pace with the foregoing companies. Frankly, the common stock offers little in the way of profit opportunities, and we feel that your interest would be best served by disposal of your holdings despite the low levels existing for the shares.

HUDSON & MANHATTAN RAILROAD CO.

I am a holder of a substantial block of Hudson & Manhattan 1st Lien & Refunding 5s Series "A" due 1957. I notice that the market for these bonds recently has been weak and am somewhat apprehensive concerning my holdings. Do you regard this issue as a sound investment?—M. L. E., Albany, N. Y.

Hudson & Manhattan Railroad Co. functions principally as a commuter road between New York City and suburban communities of New Jersey, and as such, suffered a falling off in traffic during last year, in reflection of

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increasing unemployment. Moreover, the company's real estate investments are believed to have returned a smaller income than in previous years. Unfortunately, Hudson & Manhattan is not in a position to reduce operating expenses proportionately, with the result that net income available for fixed charges on the company's funded debt declined to \$5,497,505 in 1931, from \$6,001,077 on the same basis in 1930. However, interest charges on the bonded debt of the company (excluding adjustment interest) were covered by 2.52 times (coverage amounted to 2.75 times in 1930) a margin offering ample protection for holders of the 1st Lien & Refunding 5s, Series "A" due 1957. The foregoing bonds are a direct obligation of the company, and are secured by a mortgage upon its entire property subject to prior liens aggregating only \$6,019,000. They are further secured by pledge with the trustee of \$66,204,000 Hudson & Manhattan Railroad 1st 4 1/2s due 1957. The security of the bonds also includes rolling stock of the company subject to various equipment obligations. The issue ranks prior to \$33,102,000 of Adjustment Income 5s, due 1957 and preferred and common stocks carried on the balance sheet as of December 31, last, at \$45,238,324. Although working capital was materially reduced during the year, current assets, as of December 31, 1931, exceeding current liabilities by a comfortable margin. When consideration is given to the equity shown above, the Hudson & Manhattan R. R. Co. 1st Lien & Refunding 5s, Series "A" due 1957 certainly merit a sound investment rating. While the decline in earnings may continue during early ensuing months, we see little cause for concern at the present time, and counsel against sacrificing your holdings at prevailing prices.

GILLETTE SAFETY RAZOR CO.

Is Gillette common a buy at current prices? Inasmuch as dividends have been resumed on the stock I thought that a moderate commitment might be justified but would like to have your opinion before taking definite action.—J. R. P., Camden, N. J.

Gillette Safety Razor Co. reported consolidated net income for the 12 months ended December 31, 1931, of \$4,021,972, equal, after preferred dividend requirements to \$1.23 a share on the common stock. This compared with consolidated profits of \$6,687,520 or \$3.25 a share after preferred dividends on the same capitalization for the preceding year. The decline in earnings is attributed to the unusually heavy cost of fully integrating the properties of Gillette and Auto-Strop

for APRIL 16, 1932

after the consolidation of these enterprises became effective early last year, which are of a more or less non-recurring nature, as well as depreciation of foreign currencies. The balance sheet as of December 31st, 1931, revealed cash of \$1,102,468, while marketable securities stood at \$7,670,507 as compared with total current liabilities of \$3,290,483. Current ratio at the close of last year was in excess of 4 to 1. It is interesting to note that the item "marketable securities" included \$5,450,000 par value of United States Government obligations due within the present year, and \$1,350,000 par value of Fourth Liberty 4 1/4s, due 1933-1938. Early in February of this year, Gillette introduced a new "blue-steel" blade, the sales of which have already favorably influenced profits of the company. Nevertheless, in view of increasingly keen competition in the razor blade field, the company will have to expend rather heavy appropriations for advertising and sales promotion work in order to maintain its position in the field. This factor, in all probability, will restrict earnings gain during the current year, at least. Moreover, the common stock of the company is junior to some \$13,000,000 of funded debt, as well as 310,000 shares of \$5 convertible preferred stock of no par value. Although dividends have been resumed on the common stock at an annual rate of \$1 a share, current prices fairly well discount such earnings growth as may be witnessed during 1932. With this thought in mind, we see little incentive for hastening purchases at this time.

OTIS ELEVATOR CO.

A friend of mine has advised me to sell my 100 shares of Otis Elevator because of the poor outlook for building activity. I bought this in 1931 around 35 and do not wish to sacrifice this unnecessarily. Will you kindly tell me whether you think this stock will eventually come back or whether I should sell now?—A. J. G., Boston, Mass.

During the present period of building curtailment, enterprises largely dependent upon the sale of new building equipment are necessarily experiencing difficulties. Office space needs have been sharply reduced, while the amount of space available increased rapidly in the building boom that took place over the past several years. Therefore, little in the way of an early revival of the demand for building supplies and equipment can be reasonably anticipated. This situation is an adverse influence in the affairs of Otis Elevator, prominent manufacturer of commercial and residential elevators. In view of the obstacles in the way of new sales, the 1931 showing of \$2.01

a share on the common stock, compared with \$3.44 in 1930 and \$3.99 a share in 1929 must be interpreted favorably. Last year's business included a fairly good volume of replacement and service orders, as building operators modernized their properties. Recent developments in elevator manufacturing include high speed cars capable of running 1,000 feet a minute, made possible by a recent change in the New York Building Code. Some buildings have installed double-deck elevators for economy of shaft space. The possibility of the installation of these new cars in the older buildings is important in the outlook for Otis. The record of the company is one of sound growth, and its financial position remains strong. Current assets as of December 31, 1931, including \$14,644,964 cash and Government securities, amounted to \$25,616,148, and current liabilities were \$2,485,740. The dividend, previously paid at the rate of \$2.50 annually was reduced to \$2 in line with 1931 earnings, such a development having been amply discounted by quotations for the stock. While we do not expect an early recovery in earning power, we feel that much can and will be done to stabilize revenues, and on this basis, advise against a sacrifice of shares acquired at higher levels.

R. J. REYNOLDS TOBACCO CO. "B"

With the possibilities of greatly increased cigarette taxes and the increasing competition of cheaper cigarettes what do you think of the outlook for R. J. Reynolds Tobacco "B." I hold 125 shares for which I paid around 50 in 1930. How are earnings holding up? Is there any possibility of a dividend adjustment in the near future? Do you advise me to switch or would you continue to hold?—R. L. M., Yonkers, N. Y.

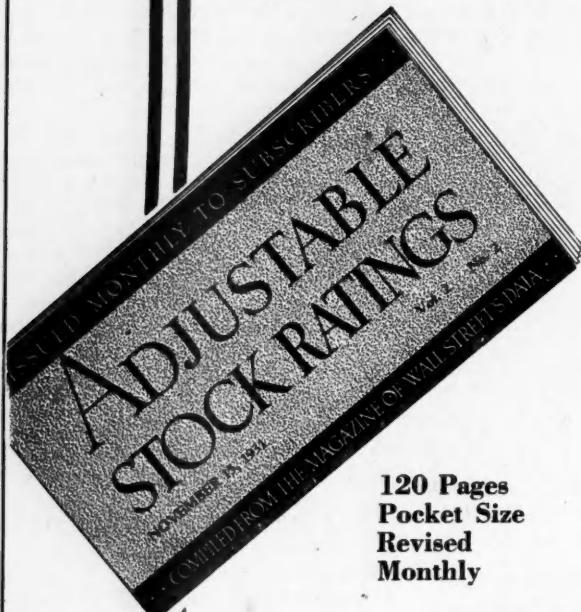
Continuing the upward trend of earnings in evidence since 1921, the R. J. Reynolds Tobacco Co. making Camel cigarettes, reported record profits of \$36,396,817 or \$3.63 a share for 1931. This compared with per share earnings of \$3.42 in 1930 and \$3.22 in 1929. Last year's favorable results reflected the increase in cigarette prices that went into effect in June, combined with the aggressive advertising and sales promotion campaign carried on by the company during the year. During the latter months of 1931, cigarette consumption declined, and this trend is continuing so far this year. Inasmuch as it is the result of decreased public purchasing power, combined with the competition of smoking tobacco, hand-rolled cigarettes, and other substitutes for standard-priced cigarettes, it is probable that the major tobacco companies will be forced to compete more aggressively

(Please turn to page 817)

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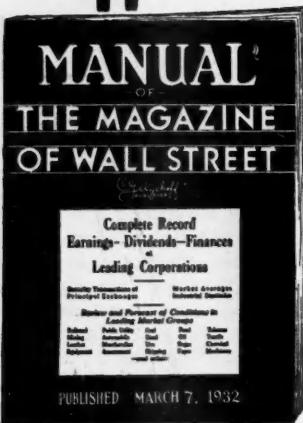
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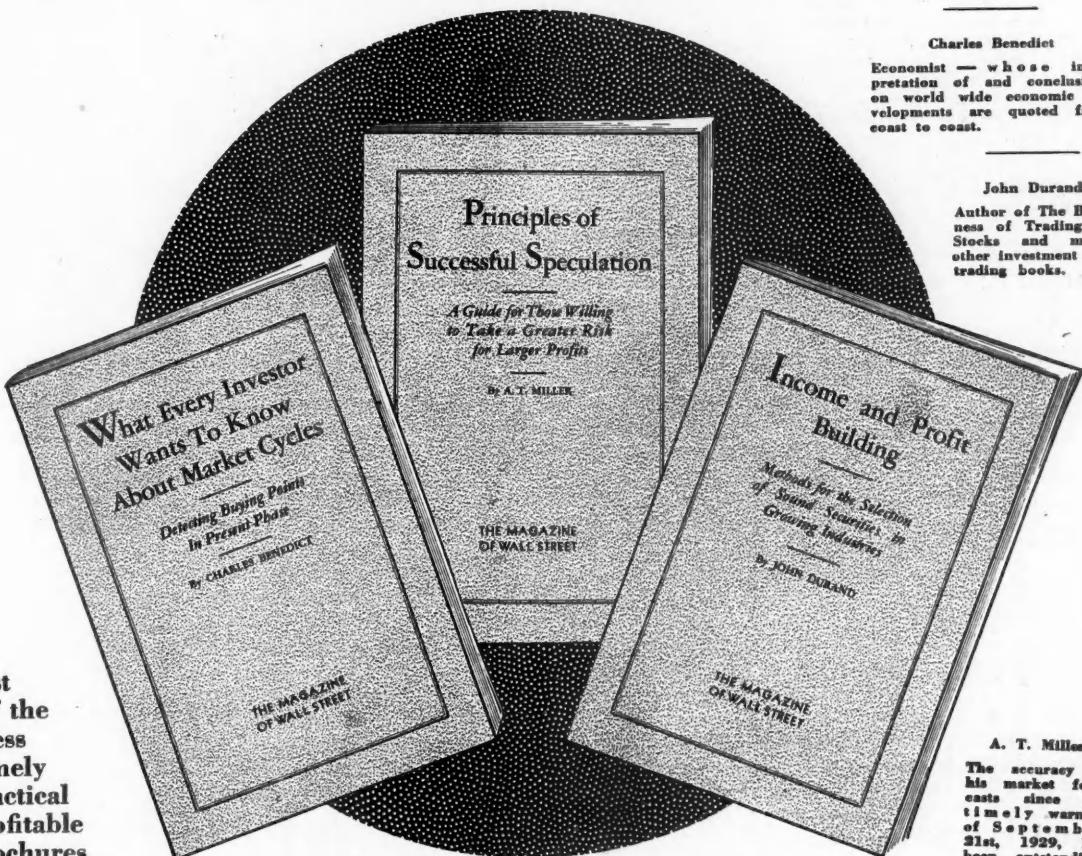
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RAILS

	1930		1931		1932		Last Sale 4/6/32	Div'd \$ Per Share
	High	Low	High	Low	High	Low		
Atchison	242½	168	202½	79½	94	52½	53½	4
Do Pfd.	108%	100	108½	75	86	65½	65½	4
Atlantic Coast Line	175½	95½	120	25	41½	18	18	4
B								
Baltimore & Ohio	122½	55½	27½	14	21½	9	9½	..
Bangor & Aroostook	84½	50½	66½	23	24½	17	18½	2
Brooklyn-Manhattan Transit	78%	55%	69%	31½	50½	30½	36½	4
Do Pfd.	98%	83	94½	63	78%	66	67	6
C								
Canadian Pacific	55½	35½	45½	10½	20%	10½	13	1½
Chesapeake & Ohio	51½	32½	46½	23	31½	15½	15½	2½
C. M. & St. Paul & Pacific	26½	4½	8½	1½	3½	1½	1½	..
Do Pfd.	46½	7½	15½	2½	5½	2½	2½	..
Chicago & Northwestern	89%	28½	45½	5	12½	5½	5½	..
Chicago, Rock Is. & Pacific	125%	45½	65½	7½	16%	5½	5½	..
D								
Delaware & Hudson	181	130½	157½	64	89½	56	56½	9
Delaware, Lack. & Western	153	69½	102	17½	28½	12½	13½	..
E								
Erie R. R.	63%	22½	39½	5	10	4½	4½	..
Do 1st Pfd.	67%	27	45½	6½	13½	6½	6½	..
G								
Great Northern Pfd.	102	51	69½	15½	35	16	16	2
H								
Hudson & Manhattan	53%	34%	44½	26½	30½	18	19½	3½
I								
Illinois Central	136%	65½	89	9½	18½	9½	10½	..
Interborough Rapid Transit	39½	20½	34	4½	14½	5½	6½	..
K								
Kansas City Southern	85%	34	46	6½	13½	5½	5½	..
L								
Lehigh Valley	84%	40	61	8	18	8½	8½	..
Louisville & Nashville	138½	84	111	20½	32%	15	15	4
M								
Mo., Kansas & Texas	66%	14½	36½	3½	7½	3½	3½	..
Do Pfd.	108%	60	85	10½	21%	9	9	..
Missouri Pacific	98½	20%	42½	6%	11	3½	3½	..
Do Pfd.	145½	79	107	12	26	6½	7½	..
N								
New York Central	192%	105½	132½	24½	36%	21%	21%	..
N. Y., Chic. & St. Louis	144	73	88	2½	9½	4	14	..
N. Y., N. H. & Hartford	128%	67%	94½	17	31½	15½	15½	..
Norfolk & Western	265	181½	217	105½	138	91	91½	12
Northern Pacific	97	42%	60%	14½	23½	10½	10½	..
P								
Pennsylvania	86%	53	64	16½	23%	14	14	2
Pittsburgh & W. Va.	121%	48½	86	11	15	9	15	..
Reading	141½	73	97½	30	42	20	119	1
Do 1st Pfd.	50%	44½	46	23	33	21	120%	2
S								
St. Louis-San Fran	118%	39½	62½	3	6½	2½	2½	..
St. Louis-Southern	76%	18	33½	4½	11½	8½	14	..
Southern Pacific	127	68	109½	28½	37%	15	15½	..
Southern Railway	136%	46½	65%	6½	13	5	6	..
Do Pfd.	101	76	83	10	20½	7½	8½	..
U								
Union Pacific	242%	166½	205½	70½	94½	59½	60½	10
W								
Western Maryland	36	10	19½	5	7½	3	3	..
Do 2nd Pfd.	38	11½	20	5	8½	3	3	..
Western Pacific	30½	7½	14½	1½	4	2	11½	..
Do Pfd.	53½	23	31½	3	6½	2½	2½	..
INDUSTRIALS AND MISCELLANEOUS								
	1930		1931		1932		Last Sale 4/6/32	Div'd \$ Per Share
A	High	Low	High	Low	High	Low	4/6/32	Div'd \$ Per Share
Adams Express	37%	14½	23½	3½	5½	3½	3½	..
Air Reduction, Inc.	156%	87½	109½	47½	62½	44½	43½	4½
Allegheny Corp.	35%	5½	12½	1½	3½	1½	1½	..
Allied Chemical & Dye	343	170½	182½	64	87½	62½	87½	8
Allis Chalmers & Mfg.	68	31½	42½	10½	13½	9½	9½	.50
Amer. Brake Shoe & Fdy.	54%	30	38	18½	15½	10	19½	1.00
American Can	156½	104½	129½	58½	73½	54½	55½	.50
Amer. Car & Fdy.	82%	24½	38½	4½	8½	4½	4½	..
American Ice	41%	24½	31½	10½	21½	12	15	2
Amer. International Corp.	55%	16	26	5	8½	5	5	..
Amer. Mohy. & Fdy.	45	29%	43½	16	22½	16½	16½	1.40
Amer. Power & Light	119%	36½	64½	11½	16½	6½	6½	1
Amer. Radiator & S. S.	39%	15	21½	5	8½	4½	4½	.40
Amer. Rolling Mill	100%	28	37½	7½	18	7½	7½	..
Amer. Smelting & Refining	79½	37½	58½	7½	18½	8½	8½	..
American Steel Foundries	52½	23½	31½	5	8½	5	5	..
Amer. Sugar Refining	55½	36½	48½	33	36½	33½	34	.50
Amer. Tel. & Tel.	69%	39½	60	34½	39½	15½	16	..
Amer. Tobacco Com.	274½	170%	201½	112½	137½	105½	105½	9
Amer. Water Works & Elec.	124%	47½	80½	23½	34½	19½	20	3
Anaconda Copper Mining	81½	25	43½	9½	12½	5	5½	..
Assoc. Dry Goods	50½	19	29½	5½	8½	3½	4	..
Atlantic Gulf & W. I. S. S. Line	80%	33	39	10	10½	10	10	..
Atlantic Refining	51%	16½	23½	8½	12½	8½	10	1
Auburn Auto	263½	60½	224½	84½	181½	58½	54½	4

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (Continued)

Div'd \$ Per Share	B	1930		1931		1932		Last Sale 4/6/32	Div'd \$ Per Share
		High	Low	High	Low	High	Low		
4	Baldwin Loco. Works	38	19%	27%	4%	8%	4	4	..
5	Barnsdall Corp. Cl. A	34	8%	14%	4	8%	4	4	..
4	Beech-Nut Packing	70%	46%	62	37%	44%	38%	73%	3
2	Bendix Aviation	87%	14%	25%	18%	18%	7%	7%	.60
4	Best & Co.	56%	30%	46%	19%	24%	16%	16%	2
6	Bethlehem Steel Corp.	110%	47%	70%	17%	24%	15%	15%	..
1 1/4	Bohm Aluminum	69	15%	48	15%	23%	11	11	..
2 1/2	Borden Company	90%	60%	76%	35%	43%	34%	35%	3
4	Borg Warner	50%	15	30%	9	12%	6%	7	1
6	Briggs Mfg.	25%	12%	22%	7%	11%	7%	7%	..
1 1/4	Burroughs Adding Mach.	51%	18%	32%	10%	13	7%	7%	.80
2 1/2	Byers & Co. (A. M.)	112%	33%	69%	10%	9%	9%	9%	..
0									
..	California Packing	77%	41%	53	8	11%	8%	17 1/2	..
..	Calumet & Hecla	33%	7%	11%	3	4	2	2 1/2	..
9	Canada Dry Ginger Ale	75%	30%	45	10%	18%	6%	7 1/2	1.20
..	Case, J. I.	362%	83%	131%	33%	43%	26%	27 1/2	..
..	Caterpillar Tractor	79%	22	52%	10%	15	7	7 1/2	1
..	Cerro de Pasco Copper	65%	21	30%	9%	15	6%	6 1/2	..
..	Chesapeake Corp.	82%	32%	54%	13%	20%	9	9 1/2	3
..	Childs Co.	67%	22%	33%	5%	7%	3	7 1/2	..
..	Chrysler Corp.	43	14%	25%	11%	15%	9%	9 1/2	..
..	Coca-Cola Co.	191%	133%	170	97%	120	97%	104	*8
..	Colgate-Palmolive-Peet	64%	44	50%	24	31%	24%	25	2 1/2
..	Colorado Fuel & Iron	77	18%	32%	6%	19%	4%	5	..
..	Columbian Carbon	189	65%	111%	39	41%	27	27 1/2	3
..	Colum. Gas & Elec.	87	30%	45%	11%	16%	9 1/2	9 1/2	1 1/2
3 1/2	Commercial Credit	40%	15%	23%	8	11	8	8	1
..	Commercial Solvents	38	14	21%	6%	10%	5%	6	.60
..	Commonwealth & Southern	20 1/2	7%	12	8	4%	5 1/2	2 1/2	.90
..	Consolidated Gas of N. Y.	138%	78%	109%	57%	68%	52%	50 1/2	4
..	Continental Baking Cl. A	52%	16%	30	4%	7	3 1/2	3 1/2	..
..	Continental Oil	71%	43%	62%	30%	41	30%	30 1/2	2 1/2
..	Corn Products Refining	111%	65	86%	36%	47%	36	37	3
..	Crucible Steel of Amer.	93%	50%	63	20	23 1/2	11	14	..
..	Cudahy Packing	48	38%	48%	29	35%	30	31	4
..	Curtis Publishing	126%	85	100	20	31	18	18 1/2	2
..	Curtiss Wright, Common	14%	1%	5%	1	2%	1	1 1/2	..
..	D								
..	Davison Chemical	48%	10	23	8 1/2	5%	2 1/2	2 1/2	..
..	Diamond Match	34%	10	23	10%	15%	12 1/2	13 1/2	1
..	Dominion Stores	30%	12	24	11	18	13	15 1/2	*1 1/2
..	Drug, Inc.	87%	57%	78%	42%	57	43 1/2	44	4
..	Du Font de Nemours	145%	80%	107	50%	59%	41	41	4
..	E								
..	Eastman Kodak Co.	255%	142%	185%	77	87%	65 1/2	65 1/2	5
..	Eaton Mfg. (50)	37%	11%	21%	5%	8	4 1/2	4 1/2	..
..	Electric Auto Lite	114%	33	74%	20	38%	18%	17	4
..	Elec. Power & Light	108%	34%	60%	9	15%	5%	6	1
..	Elec. Storage Battery	79%	47%	66	23	33 1/2	28 1/2	28 1/2	3
..	Endicott-Johnson Corp.	59%	36%	45%	23%	36%	25 1/2	27 1/2	3
..	F								
..	Firestone Tire & Rubber	33%	15%	21%	12%	15%	11%	12 1/2	1
..	First National Stores	61%	33%	63	41	53	41 1/2	48%	2 1/2
..	Foster Wheeler	104%	37%	64%	8	12	5%	5 1/2	..
..	Fox Film Cl. A	57%	16%	38%	2%	5%	2 1/2	2 1/2	..
..	Freeport Texas Co.	55%	24 1/2	43 1/4	18 1/4	19 1/2	15 1/2	15 1/2	2
..	G								
..	General Amer. Tank Car	111%	53%	79%	28	39%	24	24 1/2	4
..	General Asphalt	71%	22%	47	9%	15 1/2	8	8 1/2	..
..	General Electric	95%	41%	54%	22%	26%	15 1/2	15 1/2	1
..	General Foods	61%	44%	56	23%	40 1/2	31 1/2	32	3
..	General Mills	59%	40%	50	29%	37	31 1/2	32	3
..	General Motors Corp.	54%	31 1/2	48	21%	24%	18 1/2	18 1/2	2
..	General Railway Signal	106%	56	84%	21	28%	18	14 1/2	3
..	Gillette Safety Razor	106%	18	38%	9 1/2	24%	10%	17 1/2	1
..	Gold Dust Corp.	47%	29	42%	14 1/2	19%	15 1/2	15 1/2	1 1/2
..	Goodrich Co. (B. F.)	58%	15 1/2	20%	3%	5%	3 1/2	3 1/2	..
..	Goodyear Tire & Rubber	96%	35%	53%	13%	18 1/2	10 1/2	10 1/2	..
..	Granby Consol. Mn., Smelt. & Pr.	59%	12	23%	5 1/2	7 1/2	3 1/2	3 1/2	..
..	Grand Union	20%	10	18%	7	9 1/2	6 1/2	6 1/2	..
..	Great Western Sugar	34 1/2	7	11 1/2	5 1/2	6 1/2	3 1/2	3 1/2	..
..	Gulf States Steel	80	15	37%	4	8	4 1/2	4 1/2	..
..	H								
..	Hershey Chocolate	109	70	108%	68	88	88 1/2	88 1/2	6
..	Houston Oil of Texas (New)	116 1/2	29 1/2	14	3	5 1/2	3 1/2	3 1/2	..
..	Hudson Motor Car	62%	18	26	7 1/2	11 1/2	4 1/2	4 1/2	..
..	Hupp Motor Car	26%	7 1/2	18 1/2	3 1/2	5 1/2	2 1/2	2 1/2	..
..	I								
..	Inter. Business Machines	197 1/2	131	179%	92	117	88	88 1/2	6
..	Inter. Cement	75%	49 1/2	62%	16	18 1/2	9	9	2
..	Inter. Harvester	115%	45 1/2	60 1/2	22 1/2	29 1/2	17 1/2	17 1/2	1,80
..	Int. Match Pfd.	92	52 1/2	78 1/2	11	24 1/2	2	2	..
..	Inter. Nickel	44%	12 1/2	20 1/2	7	9 1/2	6 1/2	6 1/2	..
..	Inter. Tel. & Tel.	77%	17 1/2	38 1/2	7 1/2	12 1/2	5	5 1/2	..
..	J								
..	Jewel Tea	66 1/2	37	57 1/2	24	35	27	27	*4 1/2
..	Johns-Manville	148%	48%	80%	15%	25 1/2	12 1/2	12 1/2	..
..	K								
..	Kelvinator	26%	7%	15 1/2	6	10%	6	6	..
..	Kennecott Copper	69 1/2	20 1/2	31 1/2	9%	13	6 1/2	6 1/2	..
..	Kresge (S. S.)	36%	26%	29%	15	19	12 1/2	12 1/2	1,60
..	Kreuger & Toll	35%	20%	27%	4 1/2	9 1/2	3 1/2	3 1/2	..
..	Kroger Grocery & Baking	48%	17 1/2	35%	12 1/2	18 1/2	12 1/2	18	1
..	L								
..	Lambert Co.	113	70%	87%	49%	56%	40%	41 1/2	8
..	Lehn & Fink	36	21	34%	18%	24 1/2	17	18	3
..	Liggett & Myers Tob. B.	114%	78%	91%	40	61%	45%	49%	*5
..	Liquid Carbonic	81%	39	55%	13%	22	14 1/2	15	2
..	Loew's Inc.	96%	41 1/2	69 1/2	23 1/2	34	22 1/2	22 1/2	4

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Borden's
COMMON DIVIDEND
No. 89

A quarterly dividend of seventy-five cents (75¢) per share has been declared on the outstanding common stock of this Company, payable June 1, 1932, to stockholders of record at the close of business May 14, 1932. Checks will be mailed.

The Borden Company
W.M. P. MARSH, Treasurer.

BENEFICIAL INDUSTRIAL
LOAN CORPORATION

Dividend Notice

REGULAR quarterly dividends have been declared by the board of directors, as follows:

Preferred Stock Series A 87 1/4 per share

Common Stock 37 1/4 per share

Both dividends have been declared payable April 30, 1932 to stockholders of record at close of business April 15, 1932.

E. A. BAILEY
Treasurer

GENERAL MILLS, INC.
COMMON
STOCK
DIVIDEND



March 28, 1932.

Directors of General Mills, Inc., announce the declaration of the regular quarterly dividend of 75 cents per share on common stock of the company, payable May 2, 1932, to all common stockholders of record at the close of business April 15, 1932. Checks will be mailed. Transfer books will not be closed.

(Signed) K. E. HUMPHREY, Treasurer.

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PACIFIC GAS AND ELECTRIC CO.
DIVIDEND NOTICE

Common Stock Dividend No. 65

A regular quarterly cash dividend for the three months' period ending March 31, 1932, equal to 2% of its par value (being at the rate of 8% per annum), will be paid upon the Common Capital Stock of this Company by check on April 15, 1932, to shareholders of record at the close of business on March 31, 1932. The Transfer Books will not be closed.

D. H. FOOTE, Secretary-Treasurer.
San Francisco, California.

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway, New York

March 29, 1932.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 45 of One Dollar and Fifty Cents (\$1.50) per share on the Common Stock of the Company, payable May 2, 1932, to common stockholders of record at the close of business April 15, 1932.

H. F. ATHERTON, Secretary.

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New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (Continued)

L	1930		1931		1932		Sale Last 4/6/32	\$ Per Div'd Share
	High	Low	High	Low	High	Low		
Loose-Wiles Biscuit	70 1/4	40 1/4	54 1/2	29 1/2	38 1/2	29 1/2	31	3 1/4
Lorillard	28 1/2	8 1/2	21 1/2	10	16 1/2	12	18 1/2	1.20
M								
Mack Truck, Inc.	88 1/2	33 1/2	48 1/2	12	18 1/2	12 1/2	18 1/2	1
Macy (R. H.)	159 1/2	81 1/2	106 1/2	50	60 1/2	30	31	2
Magma Copper	52 1/2	19 1/2	27 1/2	7 1/2	8 1/2	4 1/2	4 1/2	.50
Marina Midland	32 1/2	17 1/2	24 1/2	9 1/2	12 1/2	9 1/2	9 1/2	.50
Mathieson Alkali	51 1/2	30 1/2	31 1/2	12	20 1/2	18 1/2	18 1/2	2
May Dept. Stores	61 1/2	27 1/2	39	15 1/2	20	18	18 1/2	1.80
McKeesport Tin Plate	89 1/2	61	108 1/2	38 1/2	62 1/2	40 1/2	41	4
Mont. Ward & Co.	49 1/2	15 1/2	29 1/2	6 1/2	11 1/2	6 1/2	7 1/2	..
N								
Naal Motor Co.	58 1/2	21 1/2	40 1/2	15	19 1/2	12	12	2
National Biscuit	93	68 1/2	83 1/2	38 1/2	46 1/2	31 1/2	32	2.50
National Cash Register A.	83 1/2	27 1/2	39 1/2	7 1/2	14 1/2	7 1/2	9 1/2	..
National Dairy Prod.	62	35	50 1/2	20	31 1/2	21	23 1/2	2.00
National Power & Light	58 1/2	30	44 1/2	10 1/2	18 1/2	8 1/2	8 1/2	..
Nevada Consol. Copper	32 1/2	9	14 1/2	4 1/2	8 1/2	2 1/2	9 1/2	..
North Amer. Aviation	15 1/2	4 1/2	11	2 1/2	4 1/2	2	2 1/2	..
North American Co.	132 1/2	57 1/2	90 1/2	26	40	26	26 1/2	\$10.00
O								
Ohio Oil	34 1/2	18	19 1/2	5 1/2	7 1/2	5	6 1/2	..
Otis Elevator	80 1/2	48 1/2	58 1/2	16 1/2	22 1/2	12 1/2	12 1/2	2
Otis Steel	38 1/2	9 1/2	16 1/2	3 1/2	4 1/2	2 1/2	2 1/2	..
P								
Pacific Gas & Electric	74 1/2	40 1/2	54 1/2	29 1/2	37	27	27	2
Packard Motor Car	23 1/2	7 1/2	11 1/2	3 1/2	5 1/2	2 1/2	2 1/2	..
Paramount Public	77 1/2	34 1/2	50 1/2	5 1/2	11 1/2	5 1/2	6	..
Fenney (J. C.)	80	27 1/2	44 1/2	26 1/2	84 1/2	28 1/2	28 1/2	2.40
Phelps Dodge Corp.	44 1/2	19 1/2	25 1/2	5 1/2	8 1/2	4	4 1/2	..
Phillips Petroleum	44 1/2	11 1/2	16 1/2	4	6 1/2	4	4 1/2	..
Prairie Oil & Gas	54	11 1/2	20 1/2	4 1/2	7 1/2	4 1/2	5 1/2	..
Prairie Pipe Line	60	16 1/2	28 1/2	6 1/2	9 1/2	6 1/2	7 1/2	..
Froster & Gamble	78 1/2	52 1/2	71 1/2	38 1/2	45 1/2	27 1/2	27 1/2	2.40
Public Service of N. J.	128 1/2	65	96 1/2	49 1/2	60	44 1/2	44 1/2	3.40
Pullman, Inc.	89 1/2	47	58 1/2	15 1/2	22	15 1/2	16	3
Pure Oil	27 1/2	7 1/2	11 1/2	3 1/2	5 1/2	3 1/2	3 1/2	..
Purity Bakeries	58 1/2	36	55 1/2	10 1/2	15 1/2	8	8 1/2	2
R								
Radio Corp. of America	69 1/2	11 1/2	27 1/2	5 1/2	10 1/2	5 1/2	5 1/2	..
Radio-Keith-Orpheum	50	14 1/2	4	2 1/2	7	2 1/2	3 1/2	..
Remington-Rand	46 1/2	14 1/2	19 1/2	1 1/2	8 1/2	2 1/2	2 1/2	..
Republic Steel	79 1/2	10 1/2	22 1/2	4 1/2	6 1/2	3	3 1/2	..
Reynolds (R. J.) Tob. Cl. B.	58 1/2	40	54 1/2	32 1/2	40 1/2	32	32 1/2	3
Royal Dutch	56 1/2	38 1/2	42 1/2	13	22	13 1/2	16 1/2	..
S								
Safeway Stores	122 1/2	38 1/2	69 1/2	38 1/2	59 1/2	39	48 1/2	5
Sears, Roebuck & Co.	100 1/2	43 1/2	69 1/2	30 1/2	37 1/2	24 1/2	24 1/2	2 1/2
Servel, Inc.	13 1/2	3 1/2	11 1/2	3 1/2	5 1/2	2 1/2	2 1/2	..
Shell Union Oil	25 1/2	5 1/2	10 1/2	2 1/2	4 1/2	2 1/2	2 1/2	..
Simmons Co.	94 1/2	11	23 1/2	6 1/2	10 1/2	6 1/2	6 1/2	..
Skelly Oil Corp.	42	10 1/2	12 1/2	2	4 1/2	2 1/2	3 1/2	..
Socony-Vacuum Corp.	21	8 1/2	10 1/2	8 1/2	8 1/2	8 1/2	9 1/2	1
So. Cal. Edison	72	40 1/2	54 1/2	28 1/2	32 1/2	25 1/2	25 1/2	..
Standard Brands	29 1/2	14 1/2	20 1/2	10 1/2	14 1/2	10 1/2	10 1/2	1.20
Standard Gas & Elec. Co.	129 1/2	53 1/2	88 1/2	25 1/2	34 1/2	15	15 1/2	3 1/2
Standard Oil of Calif.	75	42 1/2	51 1/2	23 1/2	27 1/2	22 1/2	22 1/2	..
Standard Oil of N. J.	84 1/2	43 1/2	52 1/2	26	31 1/2	25 1/2	26 1/2	*2
Stewart-Warner Speedometer	47	14 1/2	21 1/2	4 1/2	6 1/2	3 1/2	3 1/2	..
Stone & Webster	113 1/2	37 1/2	54 1/2	9 1/2	15 1/2	8 1/2	8 1/2	1
Studebaker Corp.	47 1/2	18 1/2	26	9	15 1/2	6	12 1/2	..
T								
Texas Corp.	60 1/2	28 1/2	36 1/2	9 1/2	13 1/2	10	11 1/2	1
Texas Gulf Sulphur	67 1/2	40 1/2	55 1/2	19 1/2	26 1/2	19	19	2
Texas Pac. Land Tr.	32 1/2	10	17 1/2	4 1/2	6 1/2	4 1/2	4 1/2	..
Tide Water Assoc. Oil	17 1/2	5 1/2	9	2 1/2	3 1/2	2 1/2	2 1/2	..
Timken Roller Bearing	59 1/2	40 1/2	59	16 1/2	23	15	15	2
U								
Underwood-Elliott-Fisher	138	49	75 1/2	13 1/2	23 1/2	14 1/2	14 1/2	2
Union Carbide & Carbon	106 1/2	52 1/2	72	27 1/2	36 1/2	24 1/2	24 1/2	..
Union Oil of Cal.	50	20 1/2	26 1/2	11	13 1/2	10 1/2	11 1/2	1.40
United Aircraft & Trans.	99	18 1/2	38 1/2	9 1/2	16 1/2	9 1/2	10 1/2	..
United Corp.	52	14 1/2	28 1/2	6 1/2	14	9 1/2	11	..
United Fruit	105	46 1/2	67 1/2	17 1/2	30 1/2	20	20 1/2	3
United Gas Imp.	49 1/2	24 1/2	37 1/2	15 1/2	21 1/2	16 1/2	16 1/2	1.20
U. S. Industrial Alcohol	139 1/2	50 1/2	77 1/2	20 1/2	31 1/2	21 1/2	21 1/2	..
U. S. Pipe & Fdy.	38 1/2	18 1/2	37 1/2	10	15 1/2	10	10 1/2	2
U. S. Realty	75 1/2	25 1/2	36 1/2	5 1/2	31 1/2	5 1/2	7 1/2	..
U. S. Rubber	35	11	20 1/2	3 1/2	6 1/2	3 1/2	5 1/2	..
U. S. Smelting, Ref. & Mining	36 1/2	17 1/2	25 1/2	12 1/2	19 1/2	13 1/2	14	1
U. S. Steel Corp.	198 1/2	134 1/2	152 1/2	38	52 1/2	34 1/2	35	2
Util. Power & Lt. A.	45 1/2	19 1/2	31	7 1/2	10 1/2	3	3 1/2	..
V								
Vanadium Corp.	143 1/2	44	76 1/2	11	18 1/2	8 1/2	8 1/2	..
W								
Warren Bros.	65 1/2	26 1/2	46 1/2	3 1/2	7	3	3	..
Warner Brothers Pictures	80 1/2	9 1/2	20 1/2	2 1/2	4 1/2	1 1/2	1 1/2	..
Western Union Tel.	210 1/2	122 1/2	150 1/2	38 1/2	50	31	31 1/2	4
Westinghouse Air Brake	52	31 1/2	36 1/2	11	17 1/2	10 1/2	10 1/2	1
Westinghouse Elec. & Mfg.	201 1/2	88 1/2	107 1/2	22 1/2	35 1/2	19 1/2	22 1/2	1
White Motor	43	21 1/2	26 1/2	7 1/2	12	5 1/2	5 1/2	..
Wrigley (W. Jr.)	81	65	80 1/2	46	57	39 1/2	40	4

* Bid Price. \$ Payable in stock. Δ Including extras. \ddagger Old stock.

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Answers to Inquiries

(Continued from page 811)

for the remaining volume of business. This in turn will have an adverse influence on the earnings of Reynolds. However, a considerable decline would be possible without affecting the safety of the \$3 annual dividend rate. Any increase in the Federal tax on cigarettes is not receiving serious consideration, at this writing. In addition to its leadership in the cigarette field, Reynolds is prominent in the smoking tobacco field with its "Prince Albert" brand. This, combined with the "R. J. R." and "Stud" granulated tobaccos, suitable for cigarette making, should be of material assistance in offsetting a decreased demand for cigarettes. The company has been spending more than \$10,000,000 annually in sales promotion efforts, creating a consumer demand that figures importantly in consideration of its investment merit in a period of general business dullness. Prevailing quotations for the shares fairly well discount the immediate uncertainties, and as any recovery in general business conditions should find immediate reflection in earnings of the company, we look upon the sale of your holdings at current levels in the nature of an unwarranted sacrifice and advise against such action.

INTERNATIONAL TEL. & TEL. CORP.

Do current prices for International Telephone & Telegraph common reflect recent developments in the affairs of Kreuger & Toll? I note that these companies jointly control the L. M. Ericsson Telephone Co., and am wondering what the outlook for International Tel. & Tel. is under the circumstances.—J. R. L., Dayton, Ohio.

A false impression has come to light recently relative to the affiliation of International Tel. & Tel. Corp., with Kreuger & Toll. It was generally believed that Kreuger & Toll held 410,000 shares of International Tel. & Tel. common stock which it had obtained in exchange for 600,000 shares of L. M. Ericsson Telephone Co. non-voting stock, sold to International Telephone last year. Actually, however, none of International Telephone stock has as yet been transferred. The deal called for an immediate cash outlay of approximately \$11,000,000 by International and the delivery of a certain number of its shares (exact amount unknown) to Kreuger & Toll following an audit of the L. M. Ericsson Telephone Co. as of December 31, 1931, which, at this writing, has not been completed. The Ericsson company is

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a highly important factor in the European communications system, and as such, should materially strengthen International's position on the Continent. More pertinent at the moment, however, is the fiscal position of International Tel. & Tel., which should throw some light on its ability to cope with adversities immediately facing the company. At the close of last year, notes payable aggregated \$44,217,772 (since reduced \$1,000,000) against \$20,902,574 a year earlier, while cash showed a decline of \$12,705,909 to \$17,401,740. Current ratio stood at about 1.4 to 1 as of December 31, last, as compared with 2.4 to 1 at the end of the preceding year. While International Telephone felt the full impact of the depression last year, the abandonment of the gold standard by many of the countries in which it operates, served to intensify the downward course of earnings during the year, through the depreciation of foreign currencies. However, had not the management recognized the seriousness of the situation in its early stages, and effected operating economies accordingly, last year probably would have proven unprofitable. As it was, net income amounted to \$7,654,001 or \$1.20 a share on the common stock, as compared with net of \$13,750,132 or \$2.07 a share in 1930. Further reductions in operating costs have been made during the current year, with the result that income for the initial quarter is reported in the neighborhood of 25 cents a share against 17 cents a share in the final quarter of 1931. Of course the substantial bank loan is a disconcerting element in the outlook for the company, but with the recent omission of dividends on the common stock, excess earnings no doubt will be used to alleviate this situation. Furthermore, the strong banking sponsorship of the company tends to allay the fear of any unreasonable demands relative to these debts. The field for expansion is almost unlimited, but pending indications of a general business recovery a policy of retrenchment will be followed. Although it is impossible to accurately

forecast the outlook for 1932, the leading position of International Telephone in the world-wide communication field coupled with its capable and energetic management justifies a constructive attitude toward its ultimate prospects. Certainly, the common stock must be regarded as speculative; but inasmuch as you have maintained your position through what appears to be the worst of the situation, continued retention is warranted.

CHILDS CO.

I am holding 200 shares of Childs common bought several years ago. Judging from current prices, the outlook for this company is not promising. What are your ideas on the situation? Should I continue to hold the stock?—O. H. C., New Orleans, La.

Recognizing changing economic conditions, the management of Childs Co. made radical changes in their policies with the expectation of increasing sales. The company featured a table d'hote meal known as the "Guest Meal" and materially cut prices on their a la carte menu. The plan has met with only moderate success, since total number of meals served during the year dropped 2.5% from 1930 while dollar volume of sales declined 8.5%. While the downward course of sales appears to have been restricted, apparently no steps were taken until the close of the year to reduce operating costs, with the result that profits last year declined 74% from those of the preceding year. Net income amounted to \$241,129, in contrast with \$933,386. After deducting preferred and common dividends paid, a deficit of \$424,925 was incurred in 1931 as compared with a loss of \$276,201 in 1930. Childs Co. entered 1931 in a none too strong financial condition, and due to unfavorable developments in the course of the year this position was further impaired. Because of the unsettlement in the securities market the company was forced to retire out of cash \$1,400,000 Childs Dining Hall Co. 4-year notes, and to make an additional cash outlay of

\$1,000,000 for plants and improvements. Total current liabilities as of December 31, 1931, were more than a million and a quarter above those at the close of 1930, and exceeded total current assets by more than two to one. While the company is known to have valuable real estate holdings, liquidation of any of the properties in the present demoralized market would bring only sacrificial prices. Should unfavorable earnings trend continue during the current year, such drastic action may be necessary. Despite the benefits to be derived from operating economies, it is an open question whether savings will be sufficient to offset lower sales. Although Childs common, at current prices, more or less discounts the worst aspects of the situation, we believe it would be to your interest to liquidate your holdings with a view toward re-employing the proceeds in a more promising situation.

FIRST NATIONAL STORES, INC.

I bought 200 shares of First National Stores at around 75 in 1929. I note that this company earned more in the first three quarters of current fiscal year than a year earlier. It has increased its working capital and seems to be in good shape generally. I would like to buy some additional stock and average down my cost. In view of the low yield at current prices I am wondering if the stock is selling out-of-line with actual values and prospects. Will you kindly let me have your opinion?—M. A. K., St. Louis, Mo.

Among the many chain store enterprises that successfully coped with generally adverse business conditions last year, First National Stores, Inc. is prominent because of the size of its system and the thoroughness with which it covers the New England section. The company now operates more than 2,600 stores, in addition to an extensive warehousing system, a bakery, various processing, food manufacturing, packing and roasting plants, and other facilities. In the nine months ended December 26, 1931, net profit of \$3,629,499 was equal after preferred dividends to \$4.13 a share on 813,786 shares of common stock, comparing with \$3,332,583 or \$3.74 a share on 820,699 shares in the nine months ended December 27, 1930. The dollar sales of the system declined approximately 1 1/2% through the nine months' period, indicating that tonnage sales were substantially higher. On the basis of the first nine months' showing, net for the fiscal year ended March 31, 1932 should be well over \$5 compared with actual earnings of \$5.03 a share for the year ended March 28, 1931. This would cover the present dividend rate of \$2.50 a share annually by a wide margin and accounts for the relatively low yield available on the stock at current levels. The financial struc-

ture of First National Stores is relatively simple, consisting of \$1,500,000 in the form of 5% 1st mortgage bonds due 1952, 50,000 shares of 7% preferred stock and the junior shares. The company was in excellent financial position at the close of 1931 with current assets of \$14,345,963 against current liabilities of \$4,416,650, or a working capital of \$9,929,313 compared with working capital of \$8,507,574 at the end of 1930. On the basis of earnings, supported by this financial position, a more generous dividend policy would be possible provided the outlook warranted. The ability of the management to maintain earning power in a period of lower prices, generally curtailed public buying and other adverse influences, confirms our constructive attitude toward the enterprise, and we look upon the sale of stock purchased at higher levels at this time as an unwarranted sacrifice and counsel against such action. As a matter of fact, we feel that moderate initial commitments might well be made during periods of market weakness.

Securities Analyzed, Rated and Mentioned in This Issue

Industrials

American Snuff Co.	799
Allis-Chalmers Mfg. Co.	810
Borden	791
Continental Can Co.	799
Coca-Cola	802
Childs Co.	817
Du Pont	791
First National Stores	818
General Electric	791
General Foods Corp.	791, 800
General Motors	791
Gillette Safety Razor Co.	811
Hershey Chocolate Co.	798
Otis Elevator Co.	811
Paramount Publix Corp.	804
Reynolds Tobacco Co., R. J.	811
Sears, Roebuck & Co.	801
Union Carbide & Carbon	791
United States Steel	791
Westinghouse Electric	791
Willys-Overland Co.	810

Bonds

Union Electric Light & Power Co. (Mo.) Ref. & Ext. 5s, 1933	792
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Oils

Standard Oil of N. J.	791
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Public Utilities

American Tel. & Tel.	791
Cities Service	791
Columbia Gas & Electric	791
Consolidated Gas of N. Y.	791
International Tel. & Tel. Corp.	817
North American	791

Railroads

Atchison, Topeka & Santa Fe	805
Chesapeake & Ohio	791
Chicago, Rock Island & Pacific Ry. Co.	794
Hudson & Manhattan R. R. Co.	810
New York Central	791
Pennsylvania	791

What Determines Value?

(Continued from page 807)

the bonds in question do not enjoy an active market or where for brief periods offerings exceed the demand thus causing a temporary lack of support in price. When the bank accepted a loss of \$60,000 through a forced sale of its bonds, in order to raise \$30,000 cash, assuming the bonds were sound investments and only suffered from a temporary lack of demand, it is only fair to say that the bank practically sold the bonds at auction and therefore might not expect to realize full value.

On the other hand were the bank to sell securities having the advantage of an active market, say U. S. Steel common or other leading issues, there would be no question of the price slumping on account of a sale of \$30,000 of such stock. This amount could be sold with no noticeable effect on the market price.

It appears therefore that a distinction should be made between the causes of the slump in the price of the bonds resulting from a forced sale, and the causes to which are attributed the generally low level of security prices which now prevail. It may be true that the law of supply and demand governs in each case and that the element of time is important in each, but there appears this difference, i. e., the obvious relatively low level of prices of listed securities generally is the result of a long period of deliberate decline the causes of which are fairly well known and cannot be primarily attributed to "Distress Selling." A sudden slump in the price of a well secured bond is, on the other hand, due primarily to "Distress Selling," no satisfactory bid being offered within the comparatively brief period permitted for the sale of the bond.

Mr. Zimmermann says that "Earnings and Assets, not Distress Selling will ultimately make quotations." There are many who believe that Earnings and Assets are making quotations now. The public's appraisal of the value of securities, as we know is influenced by a peculiar psychology and an important part is based upon what is expected in the future. It was this unknown future which was apparently finding fascinating fortunes for so many in 1929.

Certainly we now know that "Value was not established by Price" in 1929. We may feel equally certain, when we shall look back on 1931 and 1932, that we can make the same statement with respect to the latter years.—A. DUDLEY MILLS.

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Rock Island

(Continued from page 795)

continue to ship oil. But owing to the extremely low prices now prevailing—and which seem likely to prevail for some time—there will perhaps be a tendency to ship less. Such freight losses, however, are much less important than those caused by decreased purchasing power. Shipments of manufactured goods fall to a low ebb. Construction stagnates. And this with its far-reaching effects is the most disastrous of all.

Not, of course, that there is no possibility of any improvement at all. General business is now so far below even a conservative "replacement" normal that we must either admit a severe and permanent decline in our standard of living or else acknowledge the probability of at least a mild upturn in the comparatively near future in which every railroad including the Rock Island must necessarily share. Under such circumstances how can the investor participate in the ultimate recovery with the greatest safety yet with some prospect of profit?

The purchase of the common stock is obviously attended with great risk, for if the worst came to the worst it could hardly have other than a nominal value. In a lesser degree the same is true of the preferred stocks. It would seem that the company's bonds offer the greatest possibilities. These are all selling at substantial discounts and the road's recovery naturally means considerable appreciation. In the possible event of receivership they would certainly continue to participate in some way in the new company, giving a holder the chance to share in improvement, however long it might be delayed.

The Chicago, Rock Island & Pacific general mortgage 4s of 1988, outstanding in the amount of \$61,581,000, is the most important underlying issue. In the past these bonds were rated as of the very highest grade, for they are secured by 3,234 miles of track, for the most part main line. Even under present conditions, they are selling around 62 and it is difficult to conceive that they will be disturbed regardless of what may happen to the road. On the other hand, while clearly offering possibilities of price appreciation, they are hardly a speculative medium suitable for our purposes.

Subject to the underlying bonds, which total in all about \$81,500,000, the Chicago Rock Island & Pacific has issued the 1st & ref. 4s of 1934 which have already been mentioned in regard

to their early maturity. Of these there are outstanding some \$104,500,000 in addition to \$45,000,000 pledged behind the series "A" 4½s due 1952. Still further down the line are to be found the convertible 4½s of 1960, unsecured by mortgage. These are currently selling around 24 and in the event of receivership holders would likely fare indifferently. This leaves of Rock Island's main bond issues the early maturing 1st & ref. 4s and the 4½s of 1952. The former are currently quoted around 41 and the latter some 8 points lower. Virtually the two issues may be considered one, for the former secure the latter.

The 1st & ref. 4s are secured by a direct or collateral mortgage on nearly 6,000 miles of track with its equipment and appurtenances. These bonds together with prior liens are outstanding at the rate of about \$34,000 a mile—an amount which cannot be considered excessive under conditions even far from normal.

Neither the 1st & ref. 4s nor the series "A" 4½s of course can be considered investments at the present time. Even the very prices for which they are selling is sufficient to class them as speculations. But fundamentally, there is no reason why the service provided by the Rock Island should not yield a fair return on the capital involved. The road is essential to a naturally rich territory—a territory which would have no difficulty at all in maintaining it but for an extremely unfortunate series of events which has affected almost everyone, and agriculture and railroads especially. The Rock Island will always be operated as a railroad and eventually must recover at least some part of its erstwhile prosperity. Should this take place without a receivership, then the bonds will enhance in value directly.

On the other hand, suppose the road

to become bankrupt prior to its recovery. In this event a holder of the bonds, having received in exchange for his holdings other securities, would still benefit in the long run. It may therefore be said that while only the future holds the answer to the question as to whether the Rock Island can resist the forces now trying to overthrow it, nevertheless it presents a speculative opportunity protected against the worst phases of any possible disaster.

Coca-Cola

(Continued from page 803)

have to wait his turn at the end of a long line of senior security holders because neither the Coca-Cola Co. nor its subsidiaries have any funded debt. The entire capitalization consists of 1,000,000 shares of common stock and 1,000,000 shares of Class "A" stock, which is entitled to cumulative dividends at the rate of \$3 yearly. The Class "A" represents a stock dividend given to holders of the common in 1929 and is being bought up steadily in the open market. The company already owns well over 300,000 shares, so that there are less than 700,000 in the hands of the public. With the eventual retirement of the whole issue, the ownership of Coca-Cola will rest again solely with the common. It might be pointed out, however, that the holding company, Coca-Cola International Corp., whose assets are almost entirely the Coca-Cola Co.'s stock, already possesses an excellent working control. The former was formed for the purpose of perpetuating the management in 1919, the time at which the public was first permitted to share in the business.

It was then that Coca-Cola passed out of the hands of A. G. Candler, who had become interested in the drink after the death of its originator, Dr. Pemberton, and under whom it had flourished most luxuriantly. With the public participating, it passed into the hands of William C. Bradley, Ernest Woodruff and others, and continued to scale new heights with notable regularity.

Under management which has demonstrated over a dozen years that it is quite capable of guiding the company, and with evidence on every hand that Coca-Cola is increasing rather than diminishing in popularity, it would seem that a stockholder need fear not for the future. While they all appear extremely unlikely at the present time, the greatest dangers lie in excessive taxation, a rise in the price of sugar perhaps brought about by an

Important Corporation Meetings

Company	Specification	Date of Meeting
American Mach. & Fdy. Co.	Annual	4-19
Anaconda Wire & Cable Co.	Annual	4-26
Atlantic Coast Line R. R.	Annual	4-19
Collins & Aikman Co.	Annual	5-3
Commercial Solvents Corp.	Directors	4-20
Coty, Inc.	Annual	4-18
Fox Film Corp.	Annual	4-19
Freeport Texas Corp.	Directors	4-23
General Ry. Signal	Annual	4-25
General Refractories	Annual	4-23
Inland Steel Co.	Annual	4-26
Kroger Grocery & Baking Co.	Com. Div'd	4-15
New York Dock Co.	Annual	4-26
N. Y., N. H. & Hartford R. R. Co.	Annual	4-20
North Amer. Co.	Annual	4-25
Pacific Power & Lt. Co.	Directors	4-14
Paramount Publix Corp.	Annual	4-19
Philadelphia Co.	Annual	4-26
Public Service Elec. & Gas Co.	Annual	4-18
Timken Roller Bearing Co.	Special	4-19
U. S. Industrial Alcohol Co.	Annual	4-21

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even higher tariff than the one which exists, or anything which conceivably might narrow the profit margin. Coca-Cola's continued success undoubtedly depends upon its being sold for 5 cents a drink. A higher price probably would be disastrous. The stock of course may have sinking spells in a market which has had them chronically for more than two years but, unless connected with any of the adverse possibilities just outlined, temporary weakness might be considered opportunity for investors seeking a relatively depression-proof enterprise with a long and satisfactory record of growth.

Corporate Strength in Diversified Ownership

(Continued from page 791)

public in the broad field of economics and finance. Contrasted with the days of Daniel Drew, Jim Fiske and Jay Gould, corporations are angelic in their management policies and practices. Instead of the "trust-busting" era of the early Twentieth Century, we now find a strong sentiment for the repeal of the Sherman Anti-Trust laws, and many observers are convinced that the Interstate Commerce Commission has outlived its usefulness. These are tendencies, steadily growing toward increased confidence in the managements of the great corporations of our country.

For the immediate future, it seems quite probable that the growth of most corporation stockholders lists will reach a temporary peak in 1932. For some reason, which cannot be explained, there is a strong desire on the part of investors to own many shares at a low price instead of less at a higher price. During a period of advancing markets, corporations recognizing this, split their shares in accordance with the public demand. A company's stock, selling at \$150, might have a relatively inactive market, but if the shares are multiplied by four or five not only does the activity increase, but the number of shareholders increases. At the present time, there is a tendency to reverse the procedure—instead of splitting-up their stocks, corporations are "splitting down"—one for three, one for five, etc. This is likely to deter the prospective purchasers just at a time when, probably, they ought to be investing in such securities. A few years ago, Radio Corporation "split-down" its shares one for five, and then after the advancing market had carried the shares from about 25 to 500, it split-up the stock, five for one, restoring the capitalization to its original basis, except for changes

for acquisitions. General Motors also has gone through a similar cycle of capitalization changes. In answer to a question from an investor, as to why corporations made such changes in their capital structure, a broker who observed such methods and considered them unnecessary said: "It is this way—if I have a \$100 bill, then I change it for ten \$10 bills and then change the ten \$10 bills for one hundred ones, and then reverse the exchanges. Someone may make a mistake eventually, and I'm not going to be that person."

From Weak to Strong Hands

In past market cycles, discussions of the market frequently have mentioned that stocks had passed "from the hands of the weak to the strong," or vice versa. In the old days, the hands of the weak, were the small, poorly-informed, stockholders with little capital. They were known as the "small fry." Today the size of the investor's bankroll or his portfolio really has little to do, from a market standpoint, as to whether the investor is weak or strong. A weak stockholder is one who is long of stocks and may sell them because of fear, because of the size of his loan or broker's debit balance, or because he may need the money in his business or for living expenses.

Brokers' loans figures have declined from over \$8,500,000,000 to about \$500,000,000, indicating that most of the weakly held stock has been lodged in stronger hands. In addition, there has been a reduction of indebtedness by investors who borrowed directly from the banks. But despite this heavy liquidation, the numbers of stockholders of leading corporations continue to increase, indicating greater outright purchases.

It appears, therefore, that the Ameri-

can public has been saving money in greater volume than saving banks, life insurance and similar figures would indicate. That additional savings have been effected by the American public and that these savings have found their way into the stock market cannot be denied. Through the constant liquidation of loans, and a steady addition to stockholders lists of hundreds of corporations, the stock market is unquestionably developing into a stronger technical position. The weight of argument in favor of increasing stockholders lists of corporations seems to be quite definitely in favor of such increase rather than in concentration of holdings in fewer hands.

New Hope for the Oils

(Continued from page 797)

factor in making prices, while shut-in or potential production has become the bugaboo of the market.

Under these conditions the output figures are of little value to the investor, except that they show the effectiveness of proration. The change is in some respects unfortunate, for the statistics formerly provided valuable guidance, whereas oil under ground is so vague that it not only is not subject to accurate statistical measurement but at times can assume spectral proportions—as last year showed—in its effect upon market psychology.

Although a larger and larger content of gasoline is steadily being recovered from crude oil as a result of technical advances, the instability and relative weakness of the gasoline market does not lie here, but, rather, in ruthless marketing competition. Fully 90% of all petroleum products are made and marketed by a limited number of large companies which are fixtures in the business and which have every inducement to build up public good will by maintaining the quality of their products and by selling them at fair and reasonably stable prices.

A horde of less responsible companies and individuals accounts for the other 10% of the market, offering inferior products and service on the basis of price cuts. Such concerns flourish on cheap crude oil. There seems to be little doubt that this 10% of the business tends to establish the price structure for the industry.

At present there is a growing demand among oil men that this situation be ended and that prices be raised. Unfortunately, no definite program of action is suggested and it is difficult to escape the conclusion that the old sequence is still with us. That is, that

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate	Amount Declared	Stock Pay- able Record	Pay- able
\$.80 Burroughs Adding Mach.	.80	Q 5-8	6-4
.30 Cities Service Co.	.02	M 4-15	5-2
3.00 Columbian Carbon Co.	.75	Q 4-15	5-2
8.00 Com'wealth Edison Co.	2.00	Q 4-15	5-2
4.00 General Cigar Co.	1.00	Q 4-16	5-2
3.00 General Foods Corp.	.75	Q 4-15	5-2
3.00 General Mills, Inc.	.75	Q 4-15	5-3
6.00 Hershey Chocolate Corp.	1.50	Q 4-25	5-15
7.80 Homestake Mining Co.	.65	M 4-20	4-25
2.00 Liquid Carbonic Corp.	.50	Q 4-18	4-30
2.60 Loose-Wiles Biscuit Co.	.65	Q 4-18	5-1
1.00 Loose-Wiles Biscuit Co.	.10	Ext 4-18	5-1
2.00 New Jersey Zinc	.50	Q 4-20	5-10
3.00 Pacific Lighting Co.	.75	Q 4-20	5-16
3.00 Pullman, Inc.	.75	Q 4-23	5-15
2.00 So. Calif. Edison Co.	.50	Q 4-20	5-15
1.00 Tung Sol Lamp Works	.25	Q 4-20	5-1
3.00 Universal Leaf Tobacco	.75	Q 4-18	5-2
3.00 Wrigley (Wm.) Jr.	.25	M 4-20	5-2

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of April 7, 1932

Name and Dividend	1932			1932			
	High	Low	Recent Price	High	Low	Recent Price	
Aluminum Co. of Amer.	61 1/4	29	30	Gt. A. & P. Tea N. Y. (6 1/4)	150	126	138
Aluminum Goods Mfg. (.60)	10 1/2	9 1/2	9 1/2	Gulf Oil	35 1/2	25 1/2	32
Amer. Cities P. & L. "B"	3	1 1/4	1 1/4	Hecla Mining (.40)	5 1/2	2 1/2	3
Amer. Cyanamid B.	5 1/2	2 1/2	2 1/2	Humble Oil (2)	49	45 1/2	44
Amer. Lt. & Tr. (8 1/2)	24	12 1/2	13 1/2	Internat. Pet. (1)	10 1/2	8 1/2	8 1/2
Amer. & Foreign Pwr. War.	5	1 1/2	1 1/2	Lone Star Gas (.60)	9 1/2	4 1/2	4 1/2
Amer. Gas Elec. (1)	38 1/2	20 1/2	21 1/2	Minneapolis Honey. Pfd. (5)	71 1/2	68	64
Amer. Superpower	4 1/2	1 1/2	1 1/2	N. J. Zinc (2)	28 1/2	22	24
Assoc. Gas Elec. "A" (Stk. 5%)	4 1/2	2	2 1/2	Niagara Hudson Power (40)	7 1/2	4 1/2	4 1/2
Brazil T. L. & P. (1)	15 1/2	8 1/2	9 1/2	Northern States Pr. Pfd. (7)	96	83	84
Central Stat. El.	2 1/2	1	1	Pennroad Corp.	8 1/2	2	2
Cities Service (.30)	6 1/2	4 1/2	4 1/2	Public Util. Holding Corp. of Amer. (x war.)	3 1/2	1 1/2	1 1/2
Cities Service Pfd. (6)	53 1/2	44 1/2	45 1/2	St. Regis Paper	5 1/2	2 1/2	2 1/2
Commonwealth & South War.	3 1/2	1 1/2	1 1/2	Singer Mfg. (8)	134	110	110
Cord Corp.	8 1/2	2 1/2	3	Standard Oil of Ind. (1)	17 1/2	13 1/2	13 1/2
Corroon & Rey. Pfd. A.	18	7 1/2	12 1/2	Standard Oil of Ky. (160)	15 1/2	11 1/2	11 1/2
Deere & Co.	14 1/2	5 1/2	5 1/2	Swift Inter. (4)	26	18	20 1/2
Durant Motors	3 1/2	1 1/2	1 1/2	Trans Lux.	2 1/2	1 1/2	1 1/2
Elec. Bond Share (6% stk.)	38 1/2	10 1/2	10 1/2	United Founders	2 1/2	1	1 1/2
Ford Mot. of Canada A.	15	8 1/2	9 1/2	United Lt. & Pow. A.	8 1/2	2 1/2	3
Ford Motors, Ltd.	6 1/2	3 1/2	3 1/2	United Gas Corp.	2 1/2	1 1/2	1 1/2
Goldman Sachs T.	3 1/2	2	2	Utilities Lt. & Pr. B.	7 1/2	5 1/2	5 1/2

PRICES on the New York Curb Exchange have fallen to a new low average level, the reaction of the last few weeks taking shape definitely as the seventh acute phase of the underlying deflationary movement. Although all groups have been adversely affected, the heaviest volume of liquidation and the most serious weakness have centered in public utility issues and particularly in stocks of the large holding companies whose securities were so wildly inflated in 1929.

In some of these issues the destruction of values is truly phenomenal. Electric Bond & Share, most active trading favorite on the Curb, is a case in point. This stock was recently treated to a reverse split, one new share being exchanged for each three of the old shares. The new stock began its career at a high of 32 1/2 and within a few weeks had declined below 10 for a loss of more than 75%. The latter price is the equivalent of approximately 3 1/8 for the old stock, which sold above 180 a share in 1929.

In all of the other utility pyramids the story is the same, such issues as Cities Service and Middle West Utilities, having lost, along with Bond & Share, more than 95% of their 1929 value. In the main what has happened indicates plainly that the device of the holding company, as applied so far in

this country, is distressingly vulnerable in time of depression.

However sound the basic reason for decline in many of these stocks, the most unfortunate aspects of the situation is that fear and forced liquidation have brought a wholesale deflation of all utilities. Thus American Gas & Electric, one of the strongest holding company issues, has been carried down to a price only slightly more than 6 times current earnings, although the company is without important maturities or other financial difficulties. Similarly, the sympathetic effect of the Insull financial difficulties has depressed Commonwealth Edison to a level of some 6 times earnings and a current yield of more than 12%, although the company cannot be directly involved in any reorganization of Insull properties.

Oil stocks continue to show greater resistance than the rest of the market, reflecting the seasonal trend toward heavier consumption of gasoline, as well as moderately higher crude oil prices. Even this group, however, has given up more than half of its recent rally.

For Features to Appear
in the Next Issue
See Page 769

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higher prices in the end will stimulate production and provide low-cost crude out of which cutthroat gasoline competition will arise.

The only permanently effective remedy would seem to be a much more efficient proration and conservation than now seems possible under individual state laws. It is possible that this will eventually come through a changed conception of the value of the Federal anti-trust laws in relation to a national resource which requires a peculiarly individualistic treatment. Meanwhile, much faith is required to believe that artificial control for oil is materially more promising than the similar control which has been vainly applied to various other commodities from time to time.

Internally, the industry has made much progress, learning the lessons of depression as have all others. Costs have been brought down, and excessive expansion and the duplication of marketing facilities have been checked. Drilling and leasing activities are at the lowest level in many years, and the trend in seeking additional marketing outlets is to acquire existing gasoline stations, rather than to erect new ones.

Together with a moderately better price structure, these internal adjustments give reasonable promise of 1932 profits which, if not all that could be desired, should at least represent substantial improvement. This outlook would suggest that present holders of sound oil stocks should continue to retain them. As for new buyers, it is open to question whether the oil group offers any more attractive opportunities than will be found, at least before the year is out, in various other industries less subject to natural hazards.

Gauging the Market's Prospects

(Continued from page 775)

tinued demonstration of Congressional ineptitude and irresponsibility. No one actually knows whether the proposed taxes will really raise the estimated amount of revenues needed, and the chances are that they will not. No one knows whether Congress and the Administration will be driven by public opinion to an effective economy or whether free spending and an eventual actual inflation will be our lot.

In all fairness, it must be pointed out that Congressmen are not free agents. What the individual Congressman does no doubt reflects the views of his constituents, however unsound they may be. But if the will of the American people is as confused and befuddled as

Congressional action seems to indicate, this fact offers no assurance whatever to intelligent investment opinion.

An effective, courageous personal leadership in government is still all too obviously lacking. Virtually no progress has been made toward the essential task of reducing Federal expenditures, for politicians still prefer the pruning knife to the much needed axe. The latest timid proposal is to form a committee to study the savings that can be made from reorganization of governmental activities. Nothing would so bolster the nerve of the American people as an immediate, horizontal cut in all government salaries and the elimination, rather than reorganization, of useless and expensive bureaus.

This subject has been emphasized time and time again by the MAGAZINE OF WALL STREET because its paramount importance is certain to become clearer and clearer as the year progresses. The view is now generally held by informed business men and bankers, as well as by economists, that there can be no business recovery until the Federal budget is soundly balanced through fair and intelligent taxation and through a substantial reduction in spending.

The one grain of comfort that can be derived from the present weakness in stocks is that it constitutes the most effective expression of composite investment opinion that can be centered on Washington. Throughout the depression the politicians have closely watched this barometer. It is now signalling intense dissatisfaction and disgust. It will not be surprising if it stirs Washington into constructive activity within the next few weeks.

Sears, Roebuck & Co.

(Continued from page 801)

the store sales represents a transfer of patronage from the mail order division is of course problematical; but there seems to be no doubt that the retail store division has enabled the company

to maintain dividends thus far during the worst depression within its experience; whereas dividends had to be suspended for two years following the post-war slump of 1921.

Considering the depressed state of business generally, and the great distress of our farmers in particular, it must be said that Sears, Roebuck has thus far come through the ordeal with flying colors. To be sure, gross sales have fallen from the peak of 443 millions in 1929 to 347 millions last year, while net income—owing to necessitous price slashing—has dropped to 12 millions from 30 millions; but the company's financial condition remains unimpaired and its business being 100% American, there are no losses from fluctuations in foreign exchange to contend with. This year, moreover, savings of over two millions will result from recent wage and salary reductions.

There is no preferred stock nor funded debt ahead of the 4.9 million shares of common stock; and, though barely earned in 1931, the present dividend of \$2.50 could easily be maintained if business conditions show improvement this year. On the other hand it must be considered that the company's program of expansion calls for an outlay of at least 5 millions this year, and that 12 millions, the remainder of the 31 millions of banking indebtedness in 1929, is still in process of liquidation. Such extraordinary demands for cash have been met largely during the past two years by a reduction of 26 millions in inventories, and further contraction in this direction might not be wholly prudent. Still, there are marketable securities—valued at 16 millions as of December 31, last—which could be sold to raise cash.

Everything considered, it may be said that Sears, Roebuck common may be regarded as an attractive long pull investment for a person who is prepared to carry the stock through possible intermediate fluctuations in market price, and who would not be frightened into sacrificing his holdings in the event of a possible temporary reduction of 50 cents to \$1 in the dividend, which the directors might deem advisable if business conditions fail to show improvement this year.

M A R K E T S T A T I S T I C S

	N. Y. Times 40 Bonds	Dow, Jones Aves. 30 Indus. 20 Rail		N. Y. Times 50 Stocks		Sales
		High	Low	High	Low	
Monday, March 28	65.01	75.09	50.90	66.93	65.20	1,353,860
Tuesday, March 29	64.61	75.50	30.91	67.74	66.09	1,113,792
Wednesday, March 30	64.48	77.15	31.39	68.22	66.89	1,006,905
Thursday, March 31	63.84	73.28	29.57	68.23	64.40	1,482,020
Friday, April 1	63.00	72.18	28.53	65.30	62.95	1,529,080
Saturday, April 2	62.77	71.90	27.53	63.38	61.76	1,045,990
Monday, April 3	62.42	71.19	27.43	62.73	60.17	1,614,330
Tuesday, April 4	61.81	68.07	25.77	61.38	58.70	1,483,160
Wednesday, April 6	61.56	66.46	24.90	59.68	57.12	2,095,756
Thursday, April 7	61.18	66.20	24.69	58.66	56.53	1,795,287
Friday, April 8	61.81	62.90	23.44	56.98	54.38	2,125,205
Saturday, April 9	61.86	64.49	23.79	57.73	55.65	1,146,113

K E E P P O S T E D

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York, N. Y.

"ODD LOT TRADING"

John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225).

"THE BACHE REVIEW"

A summary of the general financial and business situation, published every week by J. S. Bache & Co. In writing mention Bache Review. (290).

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This handbook, issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785).

INVESTMENT PROFIT INSURANCE

The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

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Describes and illustrates the history and development of the Associated Gas & Electric System. (884).

ELECTRIC BOND & SHARE CO.

Full information or reports on companies identified with Electric Bond & Share Co. furnished upon request. (898).

"WHAT IS A SAVINGS & LOAN ASSOCIATION"

This booklet explains savings—instalment and income shares. The Serial Building, Loan & Savings Institution will be glad to send a copy upon request. (918).

UTILITY SECURITIES CO.

This firm, distributors of Public Utility Securities, will be glad to furnish information upon request. (919).

MISSOURI PACIFIC LINES

Information concerning freight and passenger service sent upon request. (920).

GUARANTY TRUST CO.

Comprehensive details of this company's resources mailed upon request. (924).

PENNSYLVANIA RAILROAD

The 85th Annual Report of this railroad, covering operations for the year 1931, may be obtained by quoting (925).

"USING THE PLOW IN INVESTMENT"

Is the title of a descriptive circular just issued by the Credit Service Associates, copy of which will be mailed upon request. (926).

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES		INSURANCE COMPANIES—(Continued)		JOINT STOCK LAND BANKS		INVESTMENT TRUST SHARES	
Bank of N. Y. & Trust Co. (18)	315	335	United States Fire (2)	18 1/4	18 1/4	18	20 1/2
Bankers (3)	51 1/4	53 1/4	Westchester (2)	18	18	5	20
Brooklyn (16)	175	188	SURETY AND MORTGAGE COMPANIES				
Central Hanover (7)	123	127	American Surety	13 1/2	16 1/2		
Chase (3)	30	33	Bond & Mtg. (5)	34 1/4	37 1/2		
Chemical (1,80)	33 1/2	34 1/2	Lawyers Mortgage (1,40)	9 1/2	11 1/2		
City (8)	38	40	National Surety	9 1/2	10 1/2		
Cora Exchange (4)	49 1/2	52 1/2	Chicago	1	1		
Empire (2)	22 1/2	23 1/2	Dallas	5	5		
First National (100)	1440	1540	Des Moines	1	1		
Guaranty (20)	254	259	First Carolina	1	1		
Irving Trust (1,60)	17 1/2	18 1/2	Lincoln	2	5		
Manhattan Co. (2)	25	27	Southern Minnesota	1	1		
Manufacturers (2)	27 1/2	29 1/2	Virginia	.20	.30		
New York (5)	80 1/2	83 1/2					
Public (2)	22	24					
United States Trust (70)	1460	1560					
INSURANCE COMPANIES		INVESTMENT TRUST SHARES					
Aetna Fire (2)	26 1/4	28 1/4	Amer. Founders Trust 6% Pfd.	7	11		
Aetna Life (1,20)	23	25	Do 7% Pfd.	7 1/4	12		
Carolina (1,50)	13 1/2	15 1/2	Diversified Trustee Shares A	5 1/2	5		
Continental (1,60)	16 1/2	18 1/2	Do Series B	5 1/2	5		
Glens Falls (1,60)	30 1/2	32 1/2	Fixed Trust Shares A	6 1/2	6		
Globe & Rutgers (20)	215	245	Inter. Sec. Corp. of Amer., Pfd.	7 1/4	12 1/2		
Great American (1,60)	12	13 1/2	Do Cum. Pfd.	7 1/2	12 1/2		
Hanover (1,60)	17 1/2	19 1/2	No. Amer. Trust Shares	1.95	1.95		
Hartford Fire (2)	36	38	Second Intl. Securities A	1/2	1/2		
Home (2)	14 1/2	16 1/2	Do 6% Pfd.	15 1/4	21		
National Fire (2)	31 1/2	33 1/2	Shawmut Bank	2 1/2	3 1/2		
North River (1)	10 1/2	12 1/2	U. S. & British Internat. Pfd.	4	5		
Stuyvesant (1,50)	13	18	U. S. Electric Lt. & Fr. "A"	14 1/2	16 1/2		
Travelers (22)	425	475	Universal Trust Shares	2 1/2	2 1/2		

BANK and insurance company stocks in the over-the-counter market continue to follow the listed markets to lower levels, although trading in recent sessions has been quiet. On the whole, with the stock market at a new low for the entire depression period, with cancellation by the bond market of the greater part of the year's recovery and with many bonds at record-breaking low prices, the performance of the bank stocks is relatively satisfactory.

Price changes have been irregular and along individual lines, as is normal in this market, but in the aggregate the group recently has shown a comparatively stubborn resistance to deflation, as is indicated by the fact that most issues remain above the panic prices of last December.

The demoralized liquidation of bank stocks in the closing months of last year, of course, was part and parcel of the general hoarding hysteria and the destruction of public confidence in the banking structure. In the early weeks of this year the situation was greatly strengthened by the launching of the Government's program of credit relief, the chief cogs in which are the Reconstruction Corporation and the Glass-Steagall Act.

As a result of these remedies banking failures throughout the country have been reduced to trifling proportions and hoarded funds are flowing back to the banks. This strengthening of sentiment undoubtedly was the chief factor in the notable recovery of bank stocks from the bottom prices of last December.

At present only part of that recovery has been lost, although the market plainly is again having to face a question as to how basic and permanent banking improvement really is. Despite the dividend reductions that have already been made, the first quarter bank reports in some instances show a rather narrow margin of coverage even on the reduced dividends. Without some relatively early change for the better in business, therefore, it appears likely that the market is discounting further reductions. Losses of 2 to 15 points per week have been shown recently by such issues as Title Guaranty & Trust, Brooklyn Trust, Guaranty Trust, Central Hanover, Chase, National City, Bank of Manhattan and Chemical National.

Recently trading in insurance stocks has increased a trifle in activity, with the majority of issues working steadily downward.

Union Electric Light & Power Co. (Mo.)

(Continued from page 793)

debt a recently maturing obligation was settled without difficulty and in the balance there are none to arise and cause unexpected complications.

The system's net income last year covered fixed charges 3.06 times over, compared with 2.85 times in the previous year and with 2.71 times in 1929. The last figure represents the smallest coverage for fixed charges in the last ten years, a record which in itself is reassuring.

The refunding and extension mortgage 5s of the parent company are currently quoted on the New York Stock Exchange around 100 1/2 to yield about 4 1/2% to maturity. As a closed mortgage bond ahead of which there are insignificant prior liens, the issue may be considered an exceedingly high grade investment. Its early maturity makes it particularly suitable for one who desires to maintain intact his capital until some of the present uncertainties be dissipated. It might also be said, now that taxation is looming as a matter of such major importance, that the company pays Federal income tax up to 2%.

Will Business Recovery Follow Banking Improvement?

(Continued from page 780)

the initial business results may be negative rather than positive, it is obvious that the halting of deflation is a necessary prelude to revival. Thus, financial betterment would constitute a base on which business should, first, stabilize and complete its adjustments; and, second, begin sooner or later to advance.

It must be admitted, however, that maintenance of financial improvement would be threatened seriously by any further relapse in business; and that, indeed, it will do very well to withstand a protracted period of stagnation. Yet the credit cure in its nature can only be slow and a renewal of anything approaching crisis appears highly improbable. It appears clear that the public is now resigned to the prospect that there will be little industrial improvement before next autumn at the earliest. That period probably will supply the next major test both of business and banking.

Are the Utilities Over-Expanded?

(Continued from page 783)

cent, or about 7.5 billion kilowatt hours. There are other opportunities for extension of their industrial services, such as the electrification of the steam railways and in the mines, municipal lighting, etc.

In the field of new industrial uses for electricity there is little basis for calculation. Electro-chemistry and electro-metallurgy are growing, industrial refrigeration opens a wide field of new uses, air conditioning and cooling are coming strong, and there are possibilities of a vast development of domestic and commercial heating, embracing perhaps electrically operated devices that will heat in winter and cool in summer. New uses may bring out a significant number of new consumers of industrial power but in view of the fact that such users increased only 16 per cent from 1922 to 1930, the hope for brisk expansion in the industrial sector hinges mainly on new uses.

The commercial and small manufacturing field seems to be pretty well occupied with 3,700,000 consumers, in relation to present population. The tendency is probably toward a decline in the ratio. This is the only consuming field in which there was an actual reduction of the number of consumers during 1931 as compared with 1930. It is not likely that new consumers during this decade will increase even in proportion to the slower growth of population. Nor does there seem to be any possibility of maintaining the consumption growth of 4.5 billion kilowatt hours in 1926-30.

Some regions of stationary or actually declining population and stagnant industry will probably not increase their consumption of electricity at all during this decade. The Montana Light & Power Co., for instance, suffered a reduction of 20 per cent in its output from 1929 to 1930; the figures are not at hand but 1931 will show a further reduction. This region will probably need no net increase in generating capacity for the rest of the decade. In southern California there is the peculiar situation that the Hoover Dam development by the Government on the Colorado river will probably negative much of the recent expansion of the Southern California Edison Co., the latter being pledged, through the pressure of local patriotism, to take 9 per cent, and perhaps in line to take 45 per cent, of the near 5 billion kilowatt hours annually from the Colorado. Re-

cent power construction by the Alabama Power Co. leaves Muscle Shoals power a present fifth wheel.

One way of sizing up the future physical growth of the electric light and power industry is to compare it with building and engineering construction, and assume that they will expand in parallel. But there is reason, as has been seen, for predicting greater growth for the electrical industries than for housing.

If we assume that after 1932 the electrical utility business will for some years grow and regrow at the rate of 10 per cent of its 1929 capacity it will be 1935 before it will regain its lost ground. It might be inferred then that it is undeniably over-built for three years to come, and possibly more. But here we encounter the subject of obsolescence, notoriously rapid in this still new and technically advancing industry. This is a consideration that the Federal Power Commission must have had in mind for it flatly declares in its 1931 report that the electric light business is not over-built. Much plant capacity is still carried statistically that is actually out of use. Also it is to be remembered that a considerable part of the reported new construction of the last two years is being delayed in application and equipment because of the slowing up of business. Here are some illustrations of obsolescence: The Philadelphia Electric Co. built a new plant in 1914-15. It hasn't been used for several years but it is still carried on the books and is available in an emergency. The Cleveland Electric Illumination Co. built a new plant at Lakewood in 1923-25 which it boasted was the last word in power production. Already in 1928 it was building a new plant and the new-old plant is practically half shut down. A new plant was built at Milwaukee in 1921, it has been renovated since and now another new one is replacing it.

Even if it takes three years to catch up with the current backlog, new plants will have to be undertaken in 1933 and 1934 in order to be ready for 1935 and 1936, without taking obsolescence and deterioration into account.

No intensive study has been made of the gas utilities for this article but enlarging industrial applications of gas and the growing field in heating and refrigeration promises steady increase of patronage. The extensive employment of natural gas has added to the opportunities of these utilities. There will be some competition between gas and electricity but the loss of one will be the gain of the other, and the net will be all in the utility family. There has been, perhaps, some over-building of natural gas pipe lines but any surplus capacity will soon be absorbed in the next period of activity

even though largely at the expense of coal and possibly oil.

The leaders of the industry, even in their darkest moments of current gloom, are convinced that in the ten years following business recovery they will have as great an expansion of demand for power and light as from 1920 to 1929. The prognostications set out above seem to support that forecast. We are now in the culminating decade of electrical construction; after us the calm. Conceding a large margin of excess capacity at the present time, they regard it with equanimity, if not satisfaction, except when the embarrassment, in some cases of financing after the fact, is giving them anxious moments. It means that they will be spared the worry of keeping up with a demand that they could not deny, whatever the cost. It means that the boom past will have provided them with power fat on which they can carry on for several years during which financing may be difficult notwithstanding business recovery. They will be in a position to make a better showing during the recovery period and allocate more of earnings to dividends than would have been the case had they entered the depression with a deficit of capacity. This is a consummation devoutly wished for, especially by the holding companies, which look forward to a prospect of pyramiding up their revenues as fast as they have pyramided down—with the stock market—in the last two years and more.

What Prohibition Means to Business

The Case for Continuation

(Continued from page 787)

bootlegging under Prohibition is inevitable. True, the liquor traffic never observed any law even when it operated under the law's protection. And it is not observing the law today. But bootlegging under Prohibition is imminent whenever the business men of this nation demand it. A group of hotel men recently complained that they were suffering because of the competition of speakeasies in New York. Those speakeasies are illegal. Why do not these men demand the passage and enforcement of a concurrent prohibition act in New York, suppressing this unfair competition? Why do not they demand that the police and courts of New York City protect them instead of protecting the bootleggers? There is the real remedy: the insistent demand for honest and effective government.

(Please turn to page 827)

"Tips" on Books

Book Review Section of The Magazine of Wall Street

PRINCIPLES OF PUBLIC UTILITIES

By JONES & BIGHAM

The Macmillan Co.

THE ECONOMICS OF PUBLIC UTILITIES

By L. R. NASH

McGraw-Hill Book Co.

THE available literature on the public utility industry in its various phases is not yet extensive, and indeed, has far to go to equal the prolific writings in certain other fields of economic endeavor. When two works on utilities are published almost simultaneously, therefore, one does not stop long to reflect as to the whys and wherefores but accepts them gratefully as contributions.

This industry, and particularly the electric and gas division, has grown so rapidly in the past decade that it has now reached a magnitude which ranks it as one of the largest in the country. And in its dealings, it affects almost every family directly.

At the moment the books are very opportune as the public utility industry is in the spotlight politically as well as financially. Though the political aspects, deriving from its quasi-public nature, will probably be crowded out of consideration in the coming presidential election by other more pressing if not more important issues, the financial features will undoubtedly continue to receive attention because of the difficulties certain of the less conservatively financed holding companies are experiencing.

Messrs. Jones and Bigham are professors of economics, the former at Stanford and the latter at Florida. Treating the subject largely from the theoretical point of view, they have developed it in a thorough and exhaustive manner. Standing on the sidelines, moreover, they have taken a neutral position and have tried to reach impartial decisions on the important questions of rate of return and of valuation.

Mr. Nash, who also has academic connections at Harvard and at Massachusetts Institute of Technology has ample practical experience as well through his long contact with the utility industry. He is now consultant on public utilities with Stone & Webster, Inc. This is the second edition of his book and brings revised viewpoints

in the light of significant and rapid developments in the industry since the first edition was published in 1925. The book is an invaluable aid to utility executives as well as to bankers and investors who because of financial interests in the industry need to inform themselves on public utility matters.—H. W. K.

PATHWAYS BACK TO PROSPERITY

By CHARLES WHITING BAKER

Funk & Wagnalls Co.

AS the author himself says in the preface, *Pathways Back to Prosperity* is an analysis to determine the underlying causes which have produced the present depression. It is, in fact, a rehash of all the ills with which we are afflicted and an exposition of not-very-novel schemes for remedying them. Mr. Baker commences with the world menace of unemployment which he attributes to the greater efficiency of the machine and to the fact that we are now at the end of the construction era. He goes on to make the point that because the world is no longer in need of surplus capital with which to develop natural resources, the present deplorable conditions cannot be counted upon to right themselves as in the past. Furthermore, according to Mr. Baker, the tremendous burden of debt under which the whole world is staggering and the narrowness of gold as the standard of value have added to the difficulties. While he is on perfectly sound ground in advocating less borrowing, particularly on the part of governmental bodies, it is of course open to question whether the adding of silver to gold even in the long run would have any beneficial effects.

Having traced the social evils of unemployment, for it is to this that he attributes much of the crime and racketeering from which we now suffer in the United States, the author goes on to expound the obvious remedy of shorter working hours at wages which do not give Capital an unduly large return. He says that the product of labor-saving machinery is leisure and that this is only beneficial when it is evenly distributed. The trouble today is that many have been receiving more than their fair share while others obtained too little. Pending this adjustment, the unemployed must be cared for in some way. While *Pathways*

Back to Prosperity adds little to our sum total of economic knowledge, it is a clear and carefully written exposition of the problems which confront us and the course which we must inevitably take, whatever the initial opposition, if our present social structure is not to collapse.—H. R.

Facts, News and Comments

A plan for recapitalization has been submitted to the stockholders of Kelly-Springfield Tire Co. by William H. Lalley, president.

It provides for:

- (1) Each share of the present 6% preferred stock to be exchangeable for \$100 par value in 10-year 6% notes, plus two shares of new common stock.
- (2) Each share of the present 8% preferred stock to be exchangeable for one share of \$6 preference stock, plus three shares of new common stock. The \$6 preference stock is redeemable at \$102.50 per share.
- (3) The reduction of the common stock and the issuance of one share of new common stock, \$5 par value, for two shares of the old common of no par value.

No new money is required or sought in the recapitalization.

* * *

Tenants of Sixty Wall Tower are to have the exclusive use of a master law library now being selected and assembled under the direction of a prominent law firm. This special feature should be of considerable aid to law firms in reducing space requirements and continuation expense.

* * *

Edward S. Jordan, who has long been one of the most prominent men in the motor car industry and a leading exponent of aggressive advertising and merchandising methods, has joined the Sweeney & James Co., national advertising agency of Cleveland, Ohio.

* * *

Thatcher C. Jones, economist, has announced the formation of Lackawanna Investors, Inc., a management investment trust of which he is president. The new company will be located at Sixty Wall Tower.

* * *

Norris E. Moore and Harry Shaer, formerly of Lehman Bros., and H. H. Wesley, formerly an executive and director of Johns-Manville, Inc., have announced the formation of Moore & Wesley, Inc., to deal in unlisted securities. The firm will be located at 50 Broadway.

(Continued from page 825)

What we need in this country more than anything else is moral leadership, a ringing, challenging voice which will call every good citizen to the support of his country against crime. I do not believe that the men who carelessly and thoughtlessly patronize the bootlegger would do so if they realized the implications of their conduct. It is their money which supports racketeering; their money which builds the power of the underworld. They have no realization of it. If they were to be called to the defense of the flag against the wolves of the city slums and the slinking coyotes of the swamps they would respond just as they responded to the burning words of Woodrow Wilson when he raised the standard of the Nation's honor and welfare in 1917. It is no time to discuss surrender to criminals, but rather a time to insist upon maintenance of the government's policy, vindication of its authority and faithful support of the interests of legitimate industry and commerce.

The conservation of goods, the conservation of man-power, the conservation of orders call for prohibition of the liquor traffic, now and forever, in every state and city and hamlet under the flag.

Trade Tendencies

(Continued from page 808)

steadily in the past three years. The electrical supply industry is consuming less than half the amount used in 1929. Telephone and telegraph companies are requiring unusually small amounts of copper wire owing to the contraction of facilities. Automobile manufacturers' needs are unseasonably small. Miscellaneous demand, such as for bearings and machinery, also has shown further diminution. Export sales are low, and the prospect of the new British tariff still further clouds the outlook. Since copper is so intimately tied in with the entire industrial condition of this country, the turn in demand may not materialize until the nation is well into the upturn from the present depression.

All remedies for establishing order in the copper industry so far have been futile. At the world conference of major producers held in New York last fall a cut of output to 25% of capacity was agreed upon, with the stipulation that the Belgian-owned African mines could maintain production but impound surplus stocks. Knowledge of these supplies has made buyers wary and quotations of copper have dropped to around the 5 3/4 cent level for domestic delivery.

for APRIL 16, 1932

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